

Fiscal Year 2014 Health Benefits Annual Report

Commonwealth of Virginia Health Benefits Program



Virginia Department of Human Resource Management



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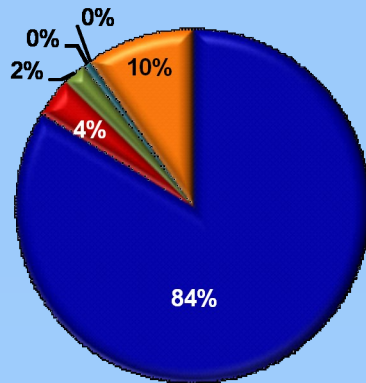
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State Health Care Dashboard

Enrollment

Health Plan Enrollment
Total Eligible = 102,385

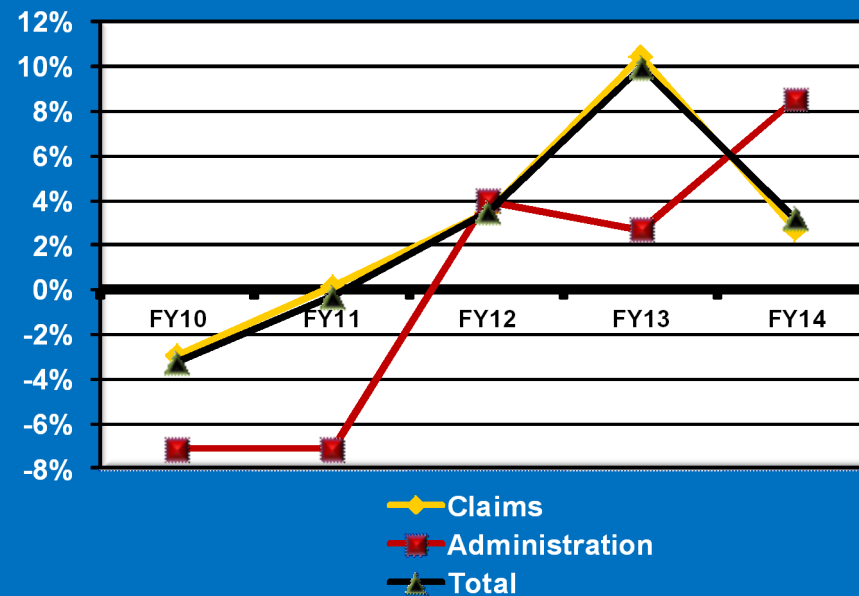


- COVA Care (all plan options)
- COVA HealthAware (all plan options)
- Kaiser Permanente HMO
- COVA HDHP (all plan options)
- TRICARE
- Waived

Note: Numbers less than 1% are shown as 0%

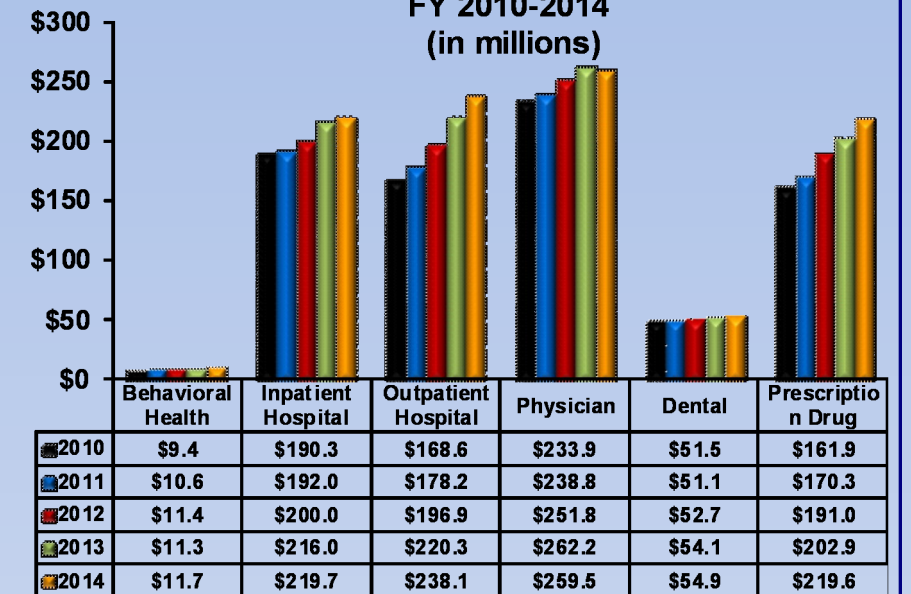
Expense Year to Year

Health Benefits Expense Year Over Year



Total Claims Expense

State Health Plan Claims Paid
FY 2010-2014
(in millions)



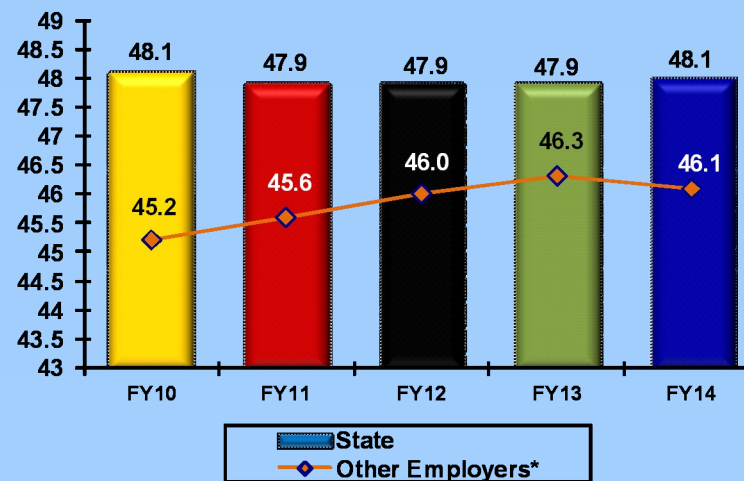
Cost of Coverage

National and State Average Annual Cost
Per Employee



Average Employee Age

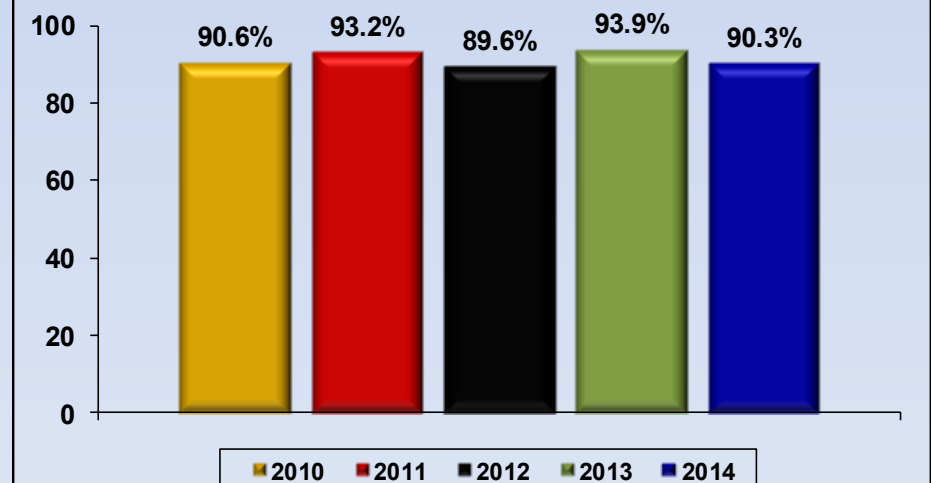
Average State Employee Age



*Employers with Anthem, Optima Health or Aetna depending on the year

Employee Satisfaction

Overall Employee Satisfaction
(weighted average)

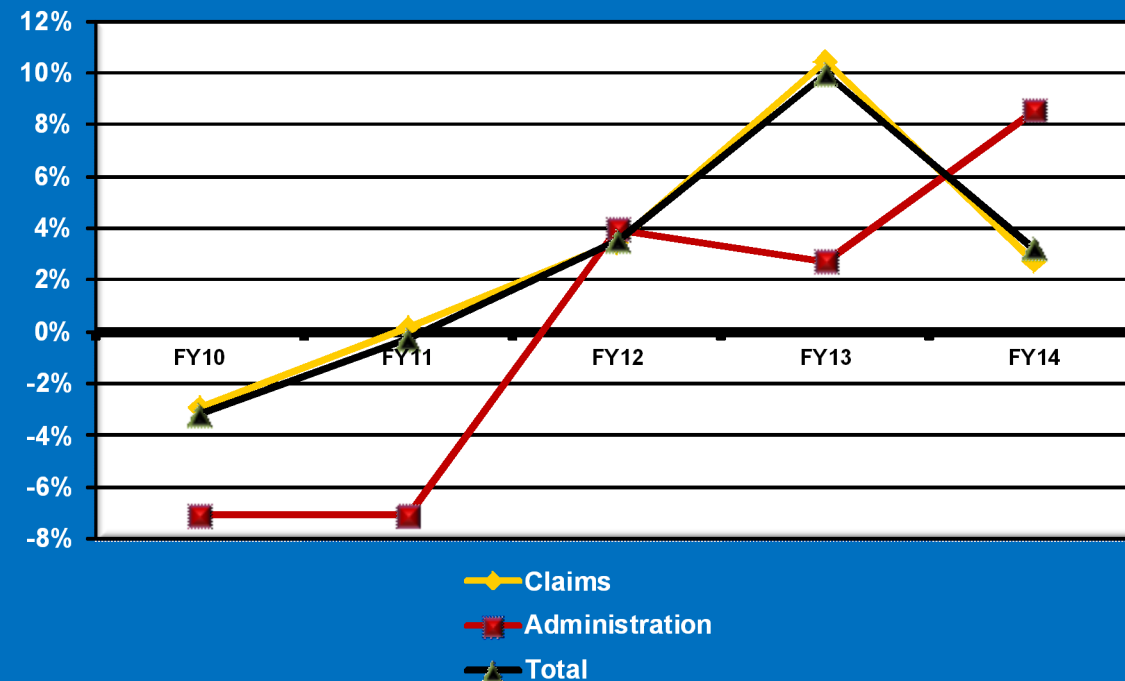




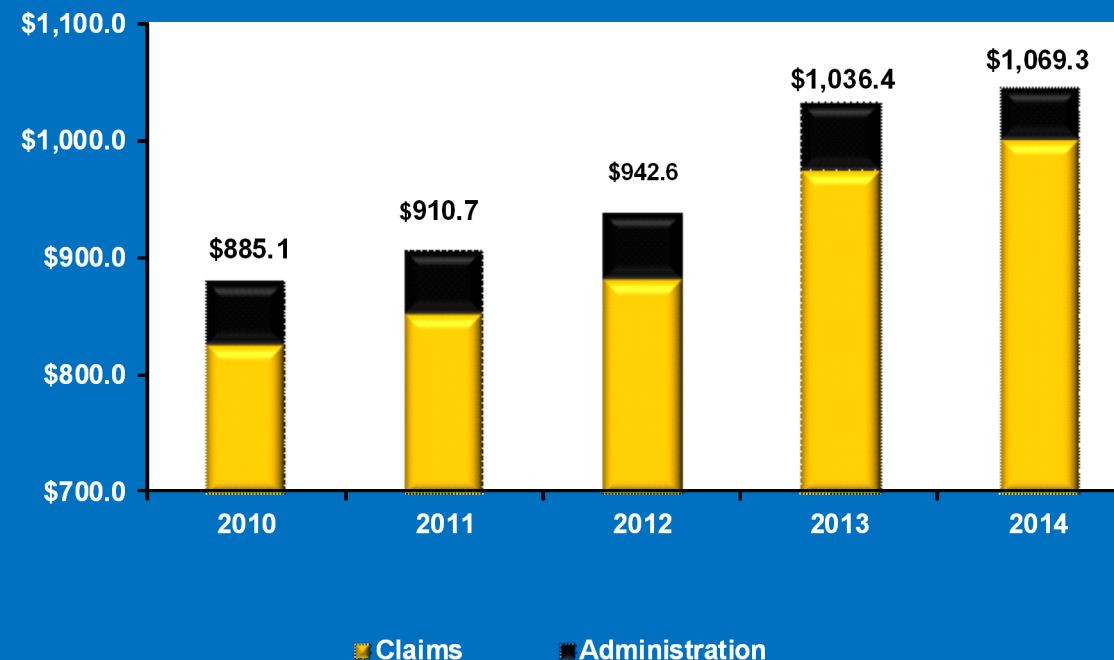
Introduction

A New Approach to Health

Health Benefits Expense Year Over Year



Health Benefits Expense
2010-2014
(in millions)



In the past decade, the Commonwealth has faced increasing health care costs for state employees, retirees and their families. In 2014, the program partnered with the Governor and General Assembly to introduce a new health care initiative which focused on member engagement in their health care. This required a significant change management effort. The new program encouraged members to be more involved in their own health, to be better consumers of health care and to understand the impact of higher costs. The result is expected to be a “win-win” for both plan members and the program: better health for members and reduced expenses for both members and the plan.

The “total population health” initiative in 2014 introduced the new COVA HealthAware consumer-driven health plan to help members budget their own health care spending. It also offered member tools to evaluate quality and cost, to make better plan choices and health care decisions, and to help members live a healthier lifestyle. Employees, early retirees and spouses in COVA Care and COVA HealthAware also have had the opportunity to reduce monthly premiums by earning premium rewards for completing a health assessment and biometric screening. In order to make better choices, the program in FY 2014 also:

- Launched a coronary artery disease and diabetes prevention pilot with Health Diagnostic Laboratory (HDL) to improve health outcomes;
- Continued a diabetes management value-based insurance design (VBID) initiative with participation incentives designed to help diabetics better manage their health;
- Maintained a successful pre-bariatric surgery education program that has shown a reduction in costs and progress in improving participant health outcomes;
- Implemented provisions of the federal Affordable Care Act (ACA), including a \$2,500 limit on health flexible spending accounts; reinsurance and 100 percent coverage of certain women’s services;
- Transitioned members to a change in administration of COVA Care pharmacy, behavioral health and employee assistance program (EAP) services, as well as flexible spending accounts.

In fiscal year 2014, the state health benefits self-insured plans’ cost per employee was 12.5 percent lower than the projected national average for the calendar year, and has been consistently less than the national trend for the past five years. State operating costs totaled almost \$1.1 billion in 2014, up 3.2 percent from the prior year. While claims cost increased in 2014, the rate of increase was lower than in 2013, at 2.7 percent compared to 10.4 percent. Implementation of the Affordable Care Act (ACA) cost the plan \$4.6 million in 2014.

This report presents a financial overview of the state’s three self-insured health benefits plans, and where indicated, the regional, fully insured Kaiser Permanente HMO plan offered primarily in Northern Virginia. Unless otherwise stated, this report is based on the experience of health plan members, including the active employee and non-Medicare eligible retiree group, during fiscal year 2014 from July 1, 2013 through June 30, 2014.

There are third party administrators for the state self-insured plans. In 2014, Anthem Blue Cross and Blue Shield administered medical, pharmacy, behavioral health and employee assistance program (EAP) services for COVA Care and COVA HDHP; and Delta Dental of Virginia administered dental benefits. Aetna administered all benefits for COVA HealthAware. Active Health Management administered the total population health program and Anthem administered flexible spending accounts (FSAs) for all eligible and enrolled employees.



Impact of Change

Plan Enrollment and Premiums

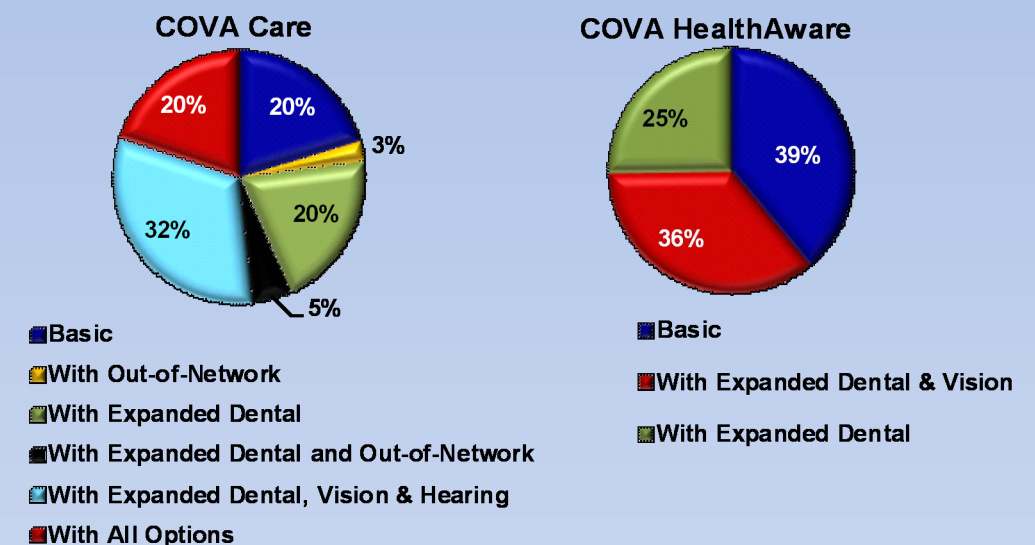
Total overall enrollment in the state health benefits program was virtually flat in fiscal year 2014 compared to the previous year. Of eligible members in 2014, 84 percent enrolled in the COVA Care plan, an increase of 3.4 percent over the prior year, followed by the new COVA HealthAware consumer-driven health plan with 4 percent. Increased COVA Care enrollment was due in part to the shift of former COVA Connect members to COVA Care, which is no longer offered. The Kaiser Permanente HMO's enrollment grew by 2.8 percent. While its primary membership is in the Northern Virginia area, the Kaiser plan is available in several other state zip codes. More than 9,900 members, or 10 percent, waived coverage in the program during 2014.

Most employees signed up for additional coverage options in 2014, with 52 percent of employees opting for the two COVA Care buy-ups with the most coverage. Sixty-one percent of COVA HealthAware members enrolled in either the Expanded Dental or Expanded Dental and Vision option.

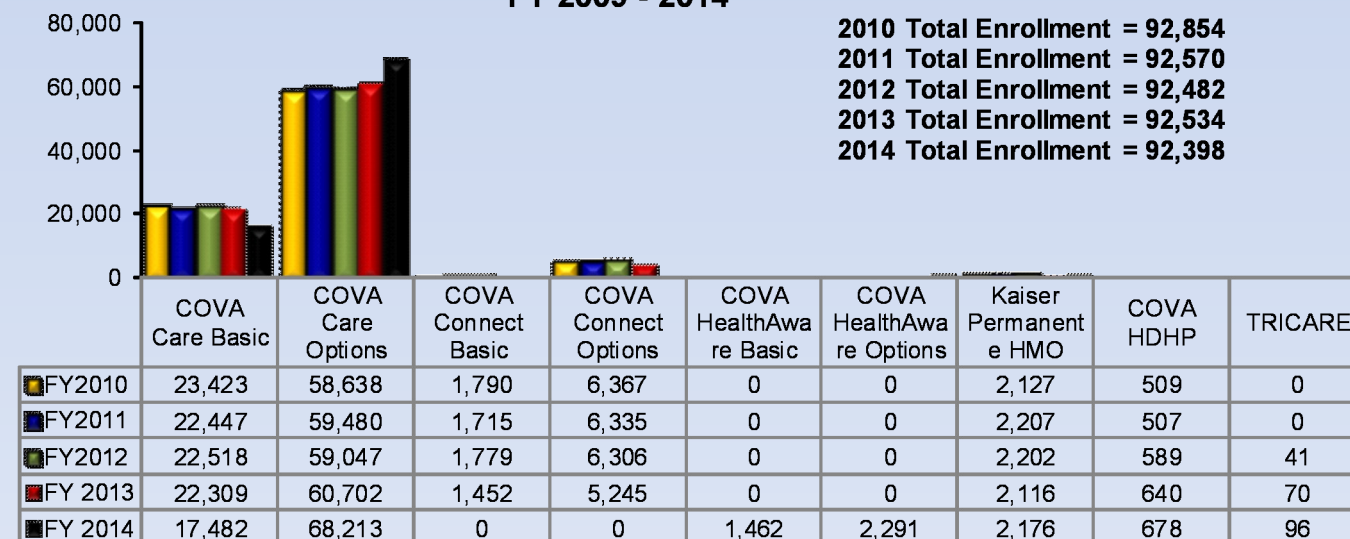
The cost of program claims expense and administration is covered by plan premiums. On average, employees pay 16 percent of premiums for basic coverage, and the Commonwealth pays 84 percent. For additional coverage buy-ups, employees pay 100 percent. The amount of total plan premium is taking on additional significance due to the Affordable Care Act (ACA) excise tax, scheduled to take effect in 2018. Plans with total premiums in excess of designated caps will have to pay a 40 percent excise tax.

Although a premium subsidy due to difficult financial times ended, employees, early retirees and their spouses enrolled in COVA Care and COVA HealthAware were able to earn a reduction in monthly premiums in 2014 by taking a health assessment and biometric screening at specified periods during the plan year. These "premium rewards" were offered as part of the new total population health management program for improving member health. During the year, 32,089 employees and early retirees, as well as 11,581 spouses, earned \$17 or \$34 per month in premium rewards, and received a total of \$10.8 million in reduced premiums.

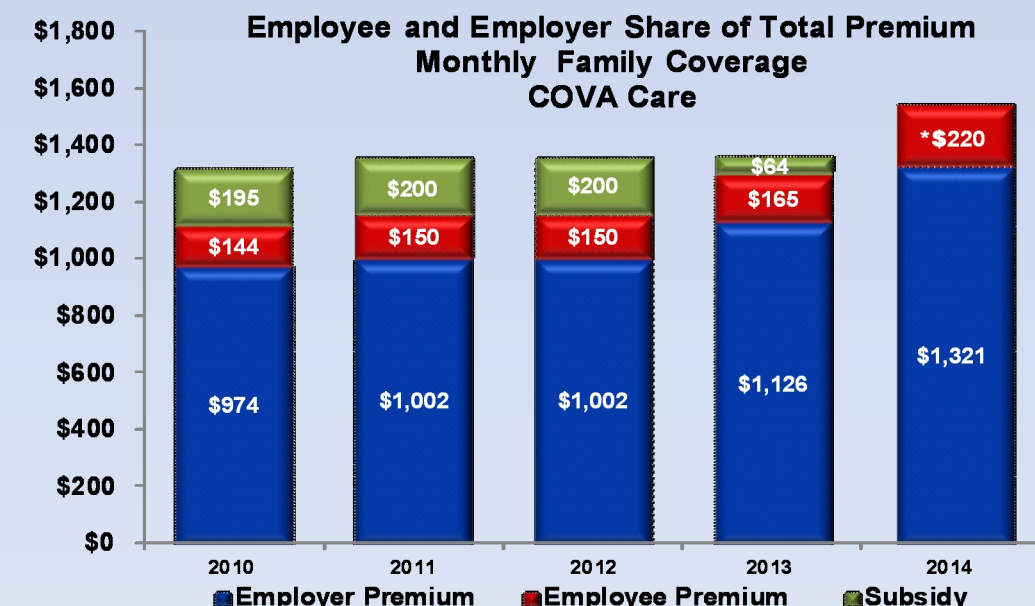
Health Plan Enrollment
By Plan
FY 2014



Health Plan Enrollment
FY 2009 - 2014



Employee and Employer Share of Total Premium
Monthly Family Coverage
COVA Care

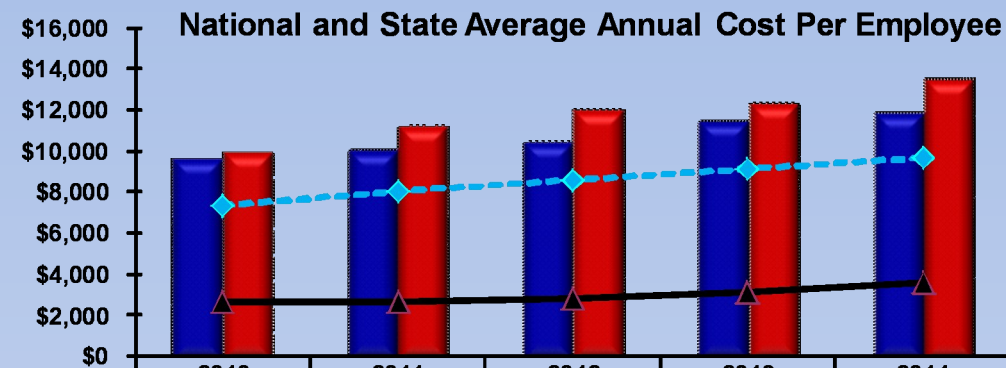


*Premium rewards of \$17 and \$34 for employee and spouse not reflected



Impact of Change

Cost of Total Coverage



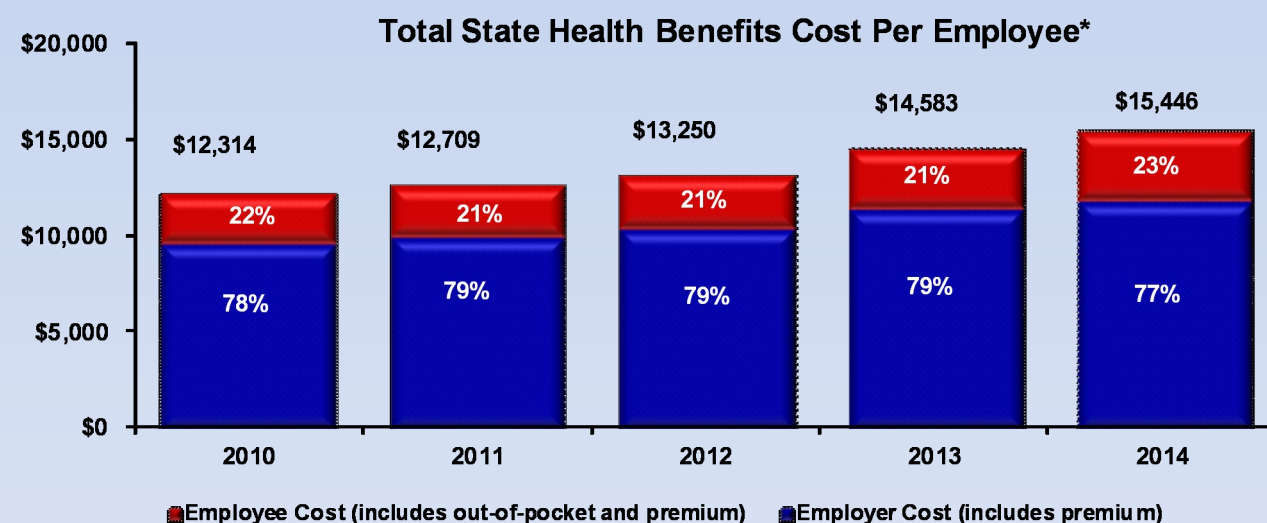
	2010	2011	2012	2013	2014
State Employer Cost Per Employee	\$9,656	\$10,043	\$10,431	\$11,471	\$11,835
National Large Government Employer Cost Per Employee	\$9,996	\$11,251	\$12,042	\$12,311	\$13,520
State Employee Cost	\$2,658	\$2,666	\$2,819	\$3,112	\$3,611
National Average Employee Cost	\$7,330	\$8,008	\$8,584	\$9,144	\$9,695

*National average employer and employee costs projected for 2014 by Milliman Medical Index. Health care cost projections vary. The Henry J. Kaiser Family Foundation shows a national average employer cost per employee of \$12,011 for CY 2014 and an employee premium contribution of \$4,823. Other national data shown is from Milliman and the Mercer National Survey of Employer-Sponsored Health Plans.

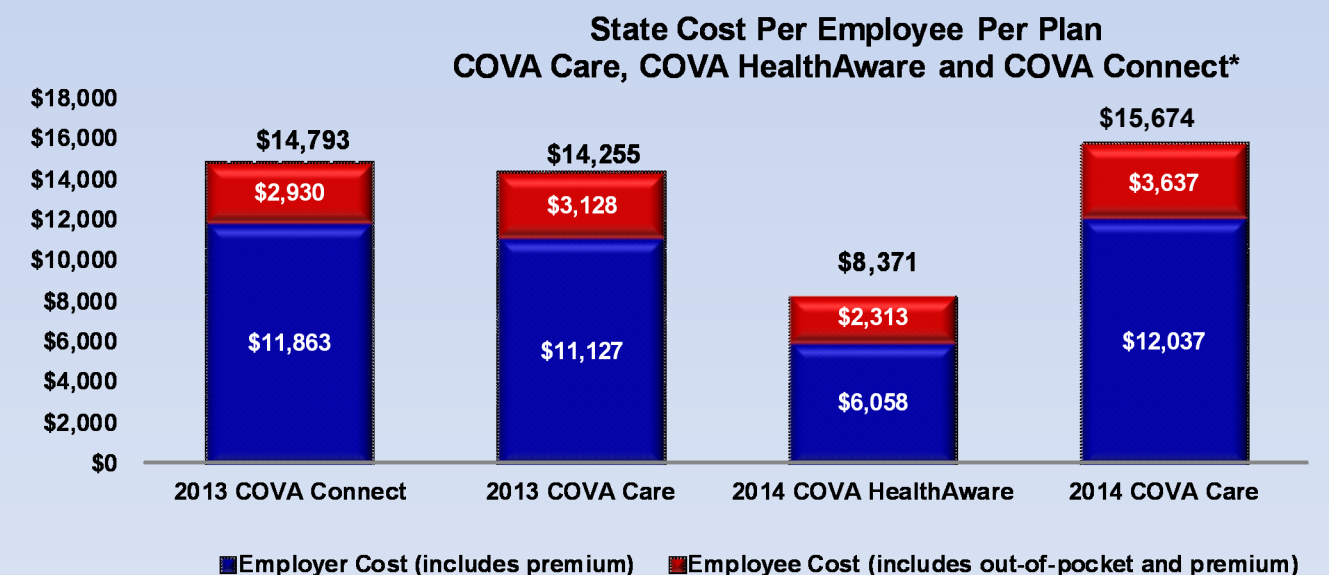
The national average cost per employee for all employers providing health coverage is projected by Milliman Medical Index to rise to \$13,520 in calendar year 2014. The state health benefits program's annual expenses were significantly lower than the national average. While the state cost increased 3.2 percent from the previous year, it was 12.5 percent lower than the national projection.

Total state employer cost per employee in fiscal year 2014 was \$11,835. The COVA Care plan's employer cost per employee was \$12,037, or 8 percent higher than in 2013, while COVA HealthAware's employer cost per employee in 2014 was \$6,058. COVA HealthAware's cost per employee for out-of-pocket expenses and premium was \$2,313 or more than 40 percent lower than the cost per employee for COVA Care, which was \$3,637. The savings are due in part to the new plan's lower expenses for prescription drugs.

Higher medical inpatient and outpatient facility and physician costs, catastrophic claims expense and prescription drug costs continued to be significant factors in the overall increase for 2014. Cost sharing increased for employees. While the plan paid 77 percent of the annual total health benefits cost, down 2 percent from 2013, employees paid 2 percent more, or 23 percent, in 2014. While employees' overall out-of-pocket costs, including deductibles, copayments and coinsurance, decreased 1.1 percent in 2014 from 2013, their premium share was higher, at 16 percent in 2014 compared to 12 percent the prior year. State employee costs were approximately a third of the national average in both 2013 and 2014.



*Employee contribution to premium varies by dependent coverage. Employees paid 16 percent of premium costs in 2014, an increase of 4 percent over prior years. The Henry J. Kaiser Family Foundation projects a total average national health benefits cost per employee of \$16,834 for CY 2014.

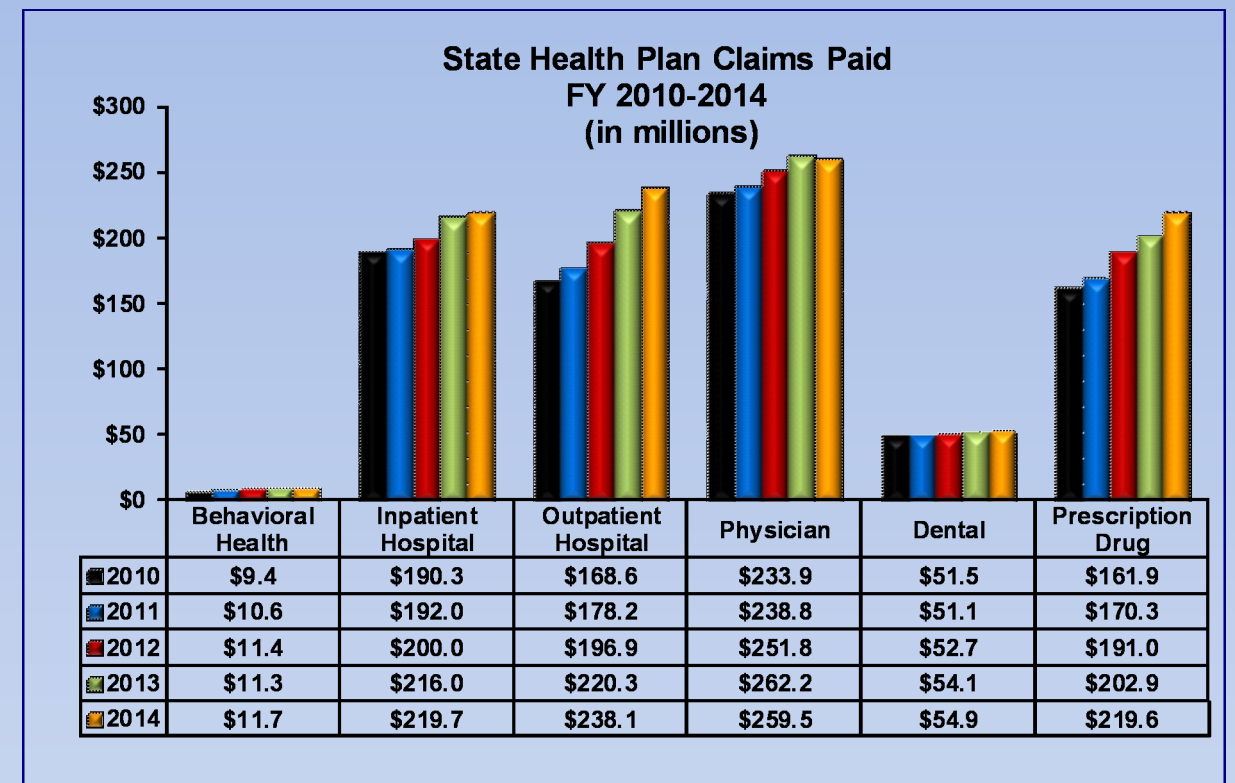
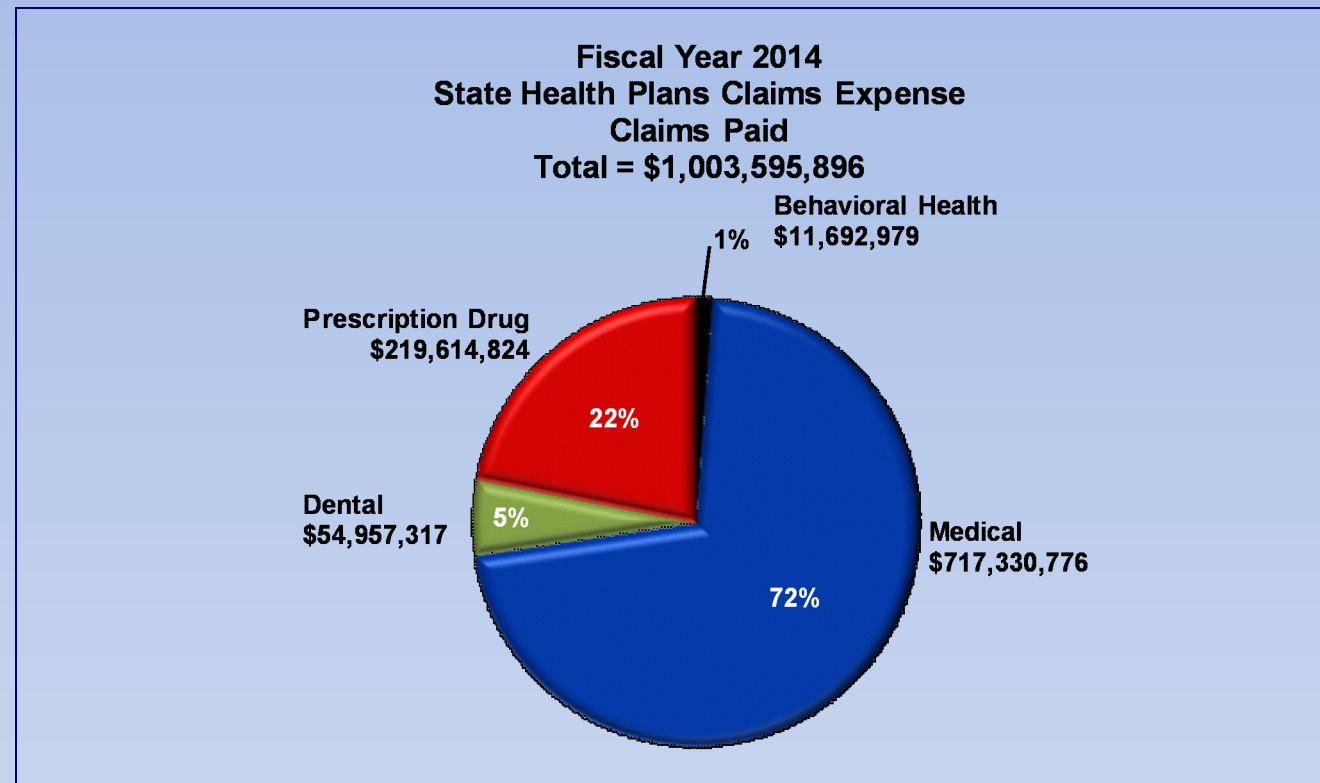


*Employee contribution to premium varies by dependent coverage. In general, premium represented 16 percent of total employee cost in 2014 compared to 12 percent in prior years. The COVA Connect plan was offered from 2010-2013.



Impact of Change

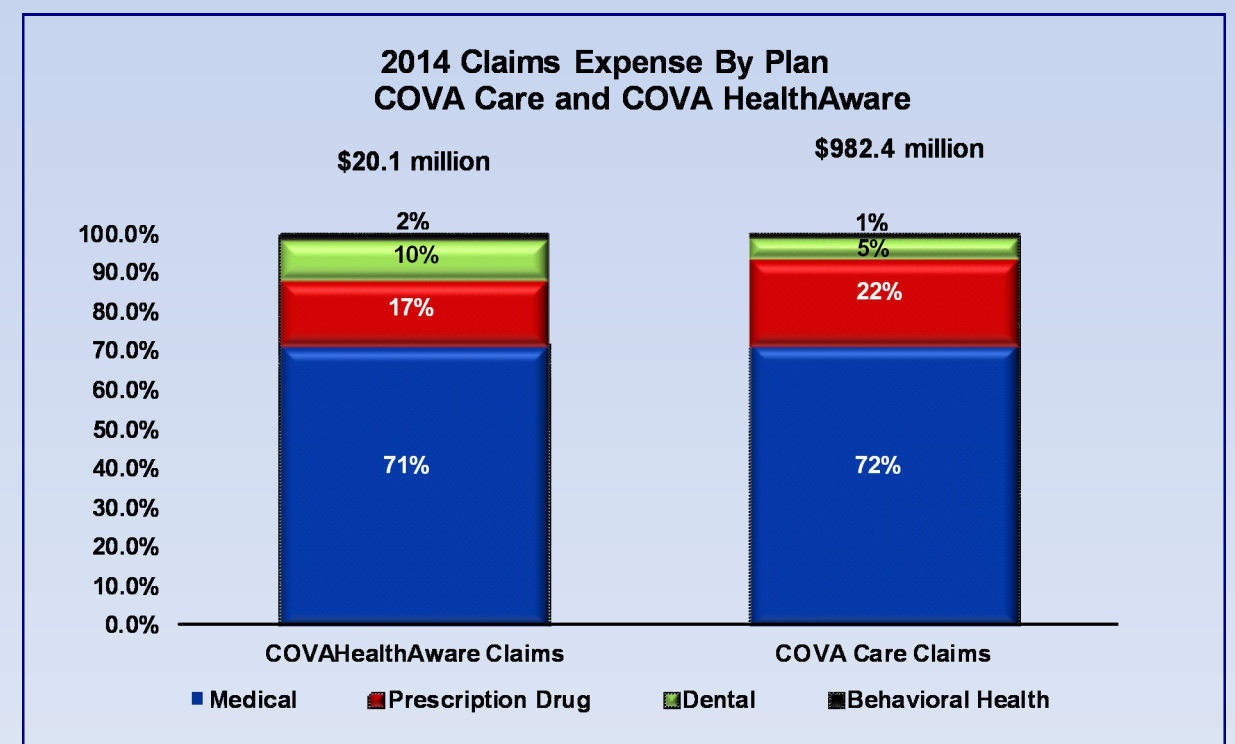
Total Claims Expense



Approximately 7.2 million claims were processed for the self-insured state plans in FY 2014, about 4 percent higher than the 6.9 million claims for the previous year. Total expense increased, due in part to higher medical and prescription drug claims costs. Sixty percent of claims were medical, accounting for 72 percent of total plan claims expense. The prescription drug category experienced the highest cost increase, growing 8.2 percent in 2014 to \$219.6 million from \$202.9 million the previous year. Outpatient facility expense was the second highest increase at 8.1 percent.

For the COVA Care plan, 7 million claims were processed in FY 2014. An average of 87,055 employees and early retirees were eligible for plan services. Medical expenses were 72 percent, prescription drug expenses were 22 percent, and dental claims accounted for five percent of total claims costs, consistent with prior years.

For the COVA HealthAware plan, 181,101 claims were processed in FY 2014. An average of 3,537 employees and early retirees were eligible for plan services during the year. Medical expense represented 71 percent, prescription drugs claims accounted for 17 percent, and dental claims represented 10 percent of total claims expense.

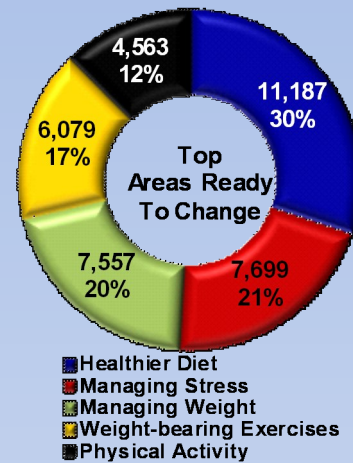
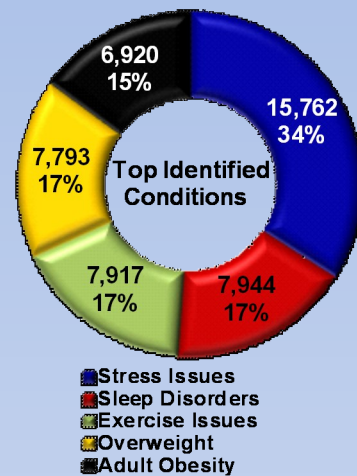




What's New

Total Population Health

Identified in Health Assessment



Source: ActiveHealth Management

The "total population health" initiative administered by ActiveHealth Management has provided tools to state plan members to help them improve their health and reduce costs. These have included:

- *Cost and quality tools:* Help members make better decisions about plan choices and increase transparency on facility quality and cost.
- *Healthy lifestyle tools:* Offer the MyActive Health web portal to help members track their health, better manage chronic conditions and lead a healthier lifestyle through coaching on exercise, weight management, nutrition, stress and quitting tobacco.
- *Financial rewards:* Reduce premiums for COVA Care and COVA HealthAware members who complete a health assessment and biometric screening, and offer an incentive for complying with requirements for diabetes management.
- *Education:* Help members understand more about how to improve their own health, and impact both their own out-of-pocket costs and plan costs.

The health assessment was open to members of COVA Care, COVA HealthAware and COVA HDHP, and has helped the health benefits program identify the top conditions of concern in the population. The top two conditions self-reported by members are stress issues and sleep disorders. These and exercise issues all correlate with obesity, the fifth condition identified by members. Results of the health assessment indicate that 60 percent of members in these three plans are overweight or obese.

Weight of State Population

Body Mass Index (BMI)



Under Weight 18.5-
144 (1%)



Healthy Weight 18.5-24.9
5,489 (25%)



Over Weight 25-29.9
6,061 (28%)



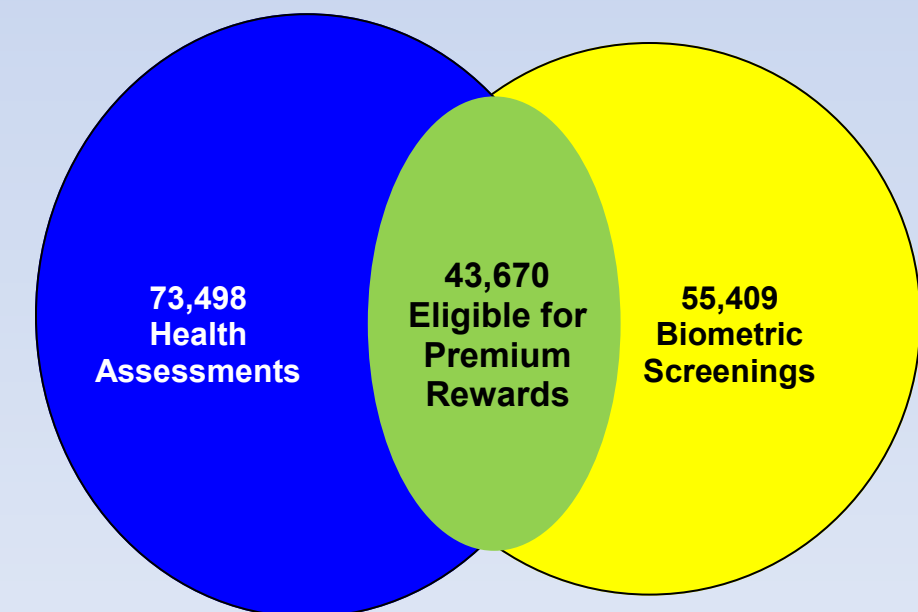
Obese 30-34.9
3,643 (17%)



Morbid Obese 35+
3,290 (15%)

Source: ActiveHealth Management

Health Assessments and Biometric Screenings Completed FY 2014





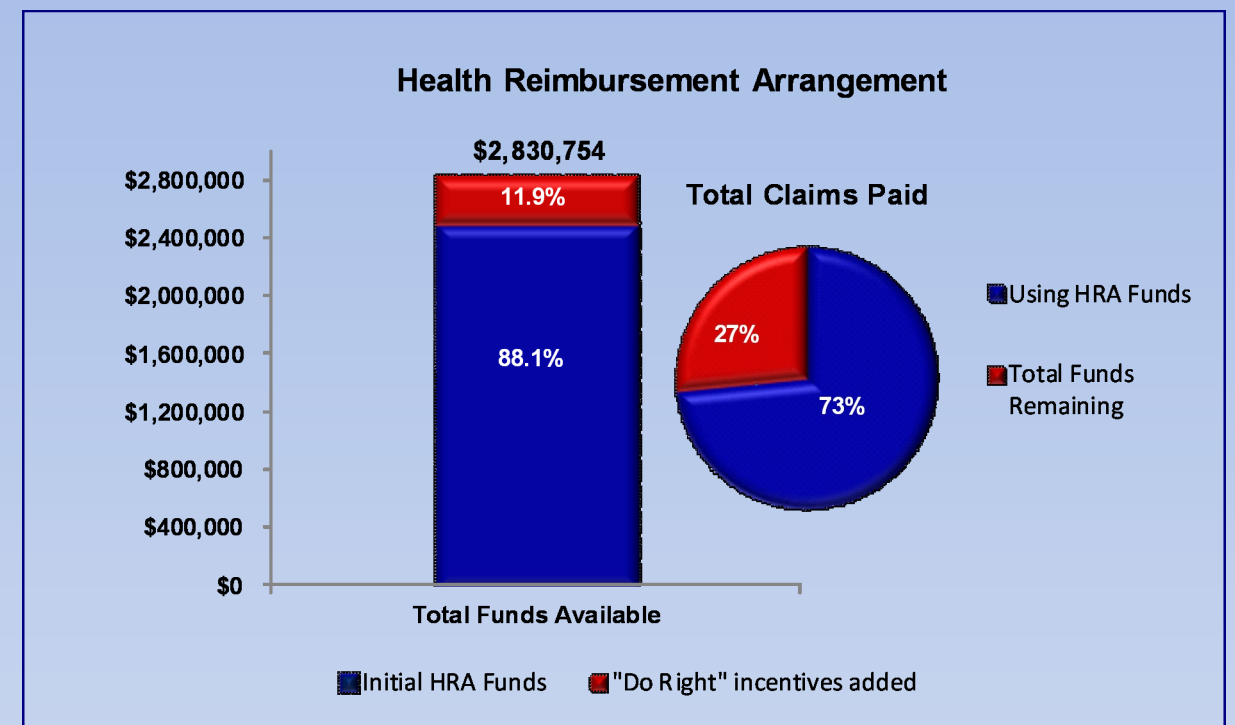
What's New COVA HealthAware Plan

Another aspect of the new health care initiative was the introduction in 2014 of a consumer-driven health plan. The COVA HealthAware plan was designed to allow individuals to budget their own health care spending and decide how best to spend their own money. It includes deductibles, coinsurance and a health reimbursement arrangement (HRA), a fund to help members pay for family out-of-pocket medical and pharmacy expenses. Higher deductibles and coinsurance are offset by lower monthly premiums and HRA funds.

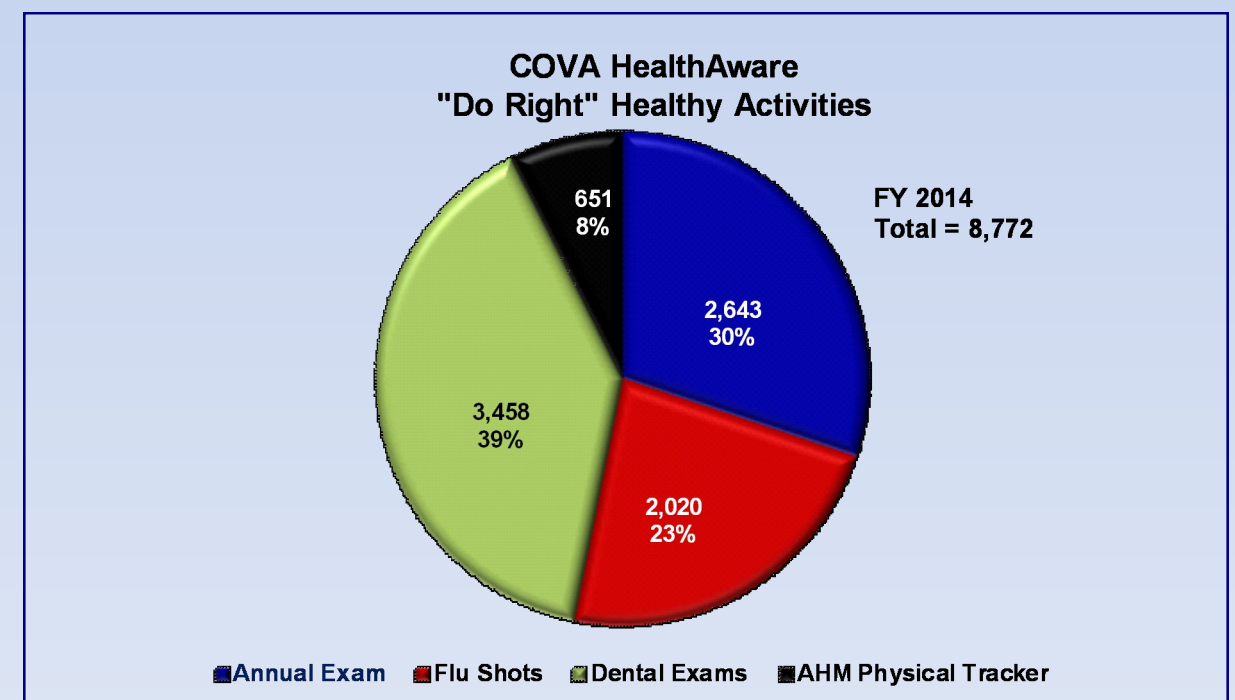
The COVA HealthAware plan includes medical, pharmacy, preventive dental, behavioral health and employee assistance program (EAP) services. In addition, annual preventive routine vision and hearing exams are provided at no cost to members. Pharmacy expenses apply to the deductible and count toward the out-of-pocket plan limit. Expanded dental and vision buy-ups are available at an additional cost.

In 2014, the Commonwealth funded the HRA with \$600 for employees and early retirees, and \$1,200 for employees/early retirees with spouses enrolled in the COVA HealthAware plan.

In addition to the HRA, the plan offered several "do right" healthy activities in 2014 which members could complete to add funds to their account. Employees, early retirees, or their spouses could each receive up to \$150 in additional HRA funding by completing three out of four "do rights": an annual routine exam, flu shot, dental exam and tracking certain activities on the MyActiveHealth web portal. More than \$2.8 million in total HRA funds were available to plan members in 2014, including \$2.5 million in initial HRA funds and more than \$338,000 added as "do right" incentives.



Employee Use of Total HRA Fund		
Spent 100% of Fund		34%
Spent Partial Fund		37%
1% - 24%	7%	
25% - 49%	8%	
50% - 74%	7%	
75% - 99%	15%	
Spent 0% of Fund		29%





What's New

Compliance for Better Health

Commonwealth Member Compliance		
	State Volume	Per Thousand/ Percent
Total Care Considerations issued by ActiveHealth Management	95,958	488.4/ 1,000
Care Considerations % members who took healthy actions		31.5%
Identified for disease management opportunity	26,665	13.6%
Currently in disease management outreach	10,460	5.3%
Engaged with nurse	3,773	1.9%

The total population health initiative includes messaging to state plan members about individual health issues and compliance. These “care considerations” are mailed to members and their physicians. The messages include alerts on medication adherence, health screenings, flu shots, and healthy lifestyle actions. Care considerations also may recommend healthy actions related to disease management, healthy lifestyle coaching and other programs. Total care consideration compliance in 2014 was 31.5 percent, which is typical for similar ActiveHealth Management programs.

During 2014, approximately 7,100 members were engaged by telephone with a disease management or lifestyle coach, co-managed in these two areas, or submitted a module assessment online. Nearly 2,000 of this group received mail-based education on health issues.

Thirteen-point-six (13.6) percent of plan members were identified as potential candidates for disease management. The program reached out to 10,460 members and 3,733, or 1.9%, of all members were engaged with a nurse to help them better manage a chronic health condition.

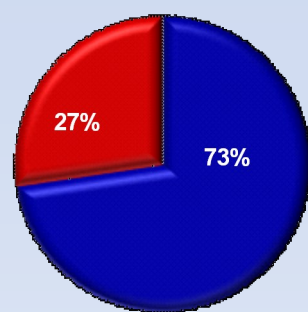
In addition to greater emphasis on medical compliance, the health benefits program introduced a pilot medication therapy management (MTM) program in 2014 at no out-of-pocket cost to COVA Care, COVA HDHP and COVA HealthAware members. The confidential, voluntary program’s goal is to enhance the effectiveness of an individual patient’s medication therapy by offering one-on-one medication consultations directly with a pharmacist. In these sessions, the pharmacist educates individual members about complying with their drug regimen, how to best use the drug formulary, possible drug reactions and other issues relating to their conditions. MTM includes a comprehensive annual visit with up to three follow-up visits for patients who have at least three of eight disease states and take seven or more medications for chronic illness. In 2014, almost 1,500 cases were served. There were 583 total safety alerts, 282 validated alerts on medication adherence and 615 validated alerts for gaps in care.

At the end of the fiscal year, the health benefits program submitted a General Assembly-mandated study to evaluate strategies for treating musculoskeletal disorders, an area identified in recent studies as having potential for savings and improved healthcare outcomes. The program recommended increasing the value of integrated health management, implementing a physical therapy (PT) value-based insurance design (VBID) pilot program, and in the long term, bundling payment for total knee and hip replacement.

The basic premise of a VBID program, such as the diabetes management program introduced in 2013, is to align patients’ out-of-pocket costs, such as copayments and premiums, with the value of health services. Removing financial barriers should drive better compliance with medications and treatment, resulting in improved health and lower costs. Diabetes management program participants receive free medications for meeting certain compliance requirements. In 2014, the compliance rate was 48 percent compared to 22 percent the prior year.

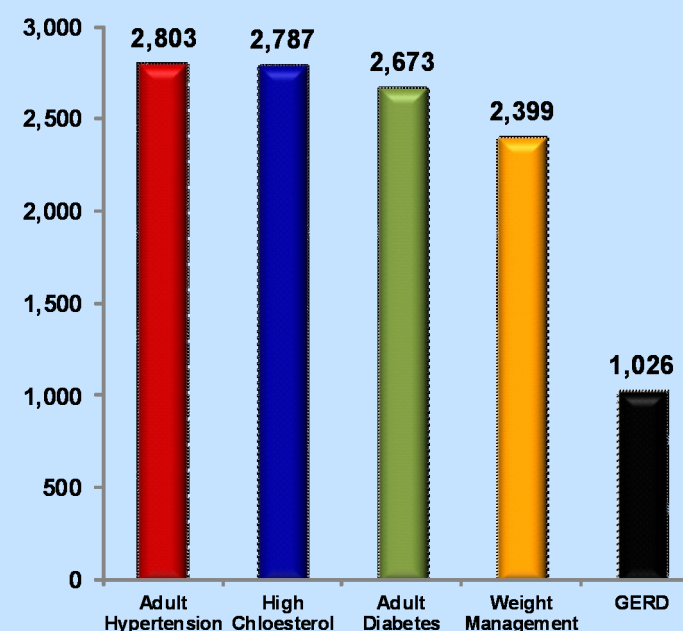
Value-Based Insurance Design COVA Care and COVA HealthAware

Diabetes Management Program
Members Qualifying for Incentive
FY 2014



Total Compliance = 2,689
Compliance rates: FY 2014 48%
FY 2013 22%

Nurse Engaged Members Top Five Conditions Identified





Year in Review

Medical Benefits Expense

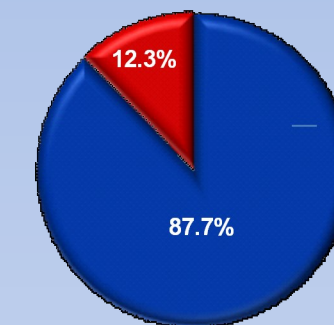
Total medical inpatient and outpatient facility and physician costs increased 2.7 percent in 2014, to \$717.3 million from \$698.5 million in 2013. The largest components of medical costs were outpatient hospital costs, physician expense and inpatient catastrophic claims, or those greater than \$200,000. Outpatient hospital costs rose 8 percent. Overall physician expense was down 1 percent, due in part to lower COVA HealthAware physician costs per employee of \$2,551 compared to the previous COVA Connect plan cost of \$5,008 per employee. COVA Care's physician expense, accounting for 96.5 percent of total expense, increased 9.8 percent, to \$250.4 million from \$228.1 million.

Catastrophic claims expense totaled \$88.0 million in 2014, up 15.9 percent over the \$75.9 million cost in 2013. There were 239 catastrophic claims in 2014, representing 0.1 percent of members yet 12.3 percent of expense. These claims were driven primarily by treatment for cancer, conditions related to heart disease and premature births.

Inpatient claims increased about 2 percent. In order to manage overall medical costs, care has shifted to outpatient services which in general are less expensive than inpatient procedures.

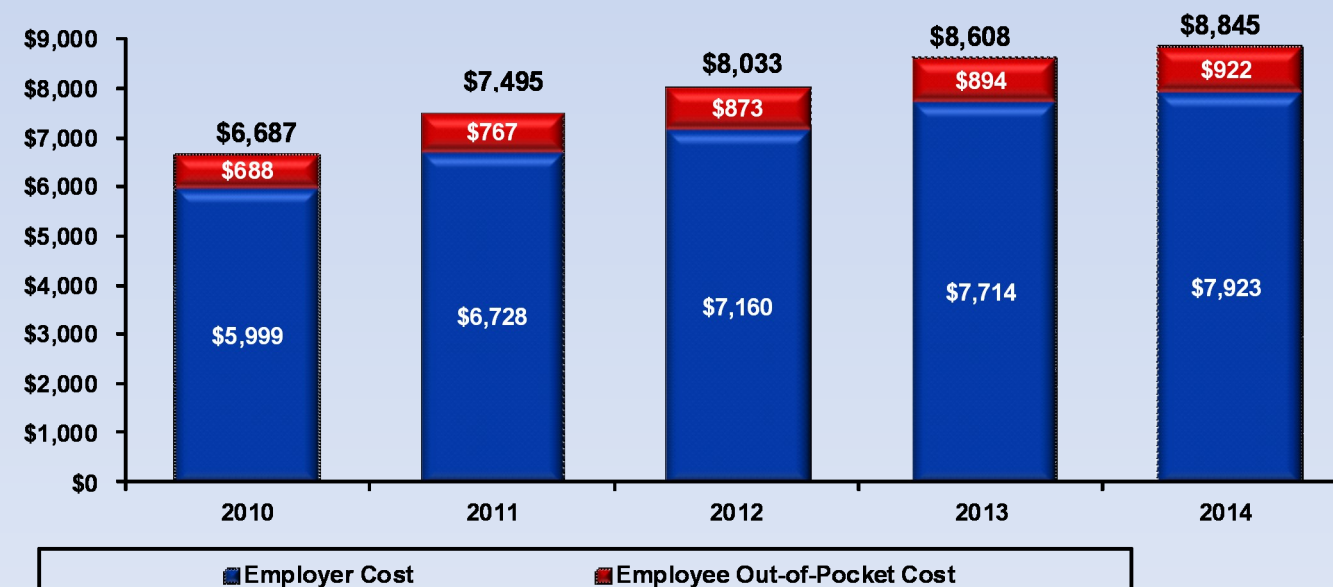
The state plan paid 89.6 percent of total medical benefits cost in 2014, and employees paid 10.4 percent. This was unchanged from the previous year.

**2014 Claims Expense
Percentage of High Cost Claims
Total = \$88.0 Million**

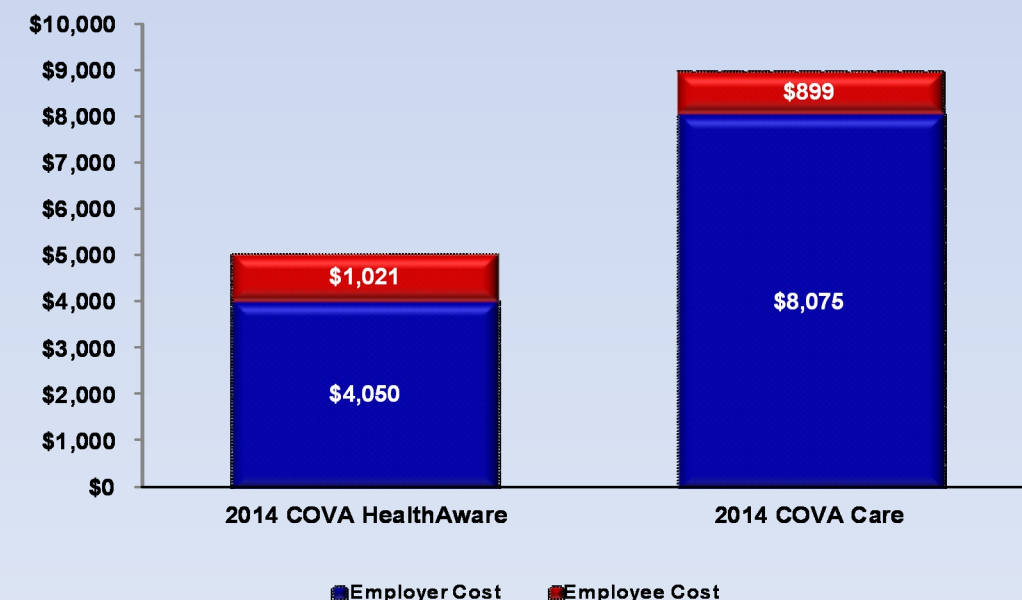


■ <\$200,000 ■ >\$200,000

Total Medical Benefits Cost Per Employee



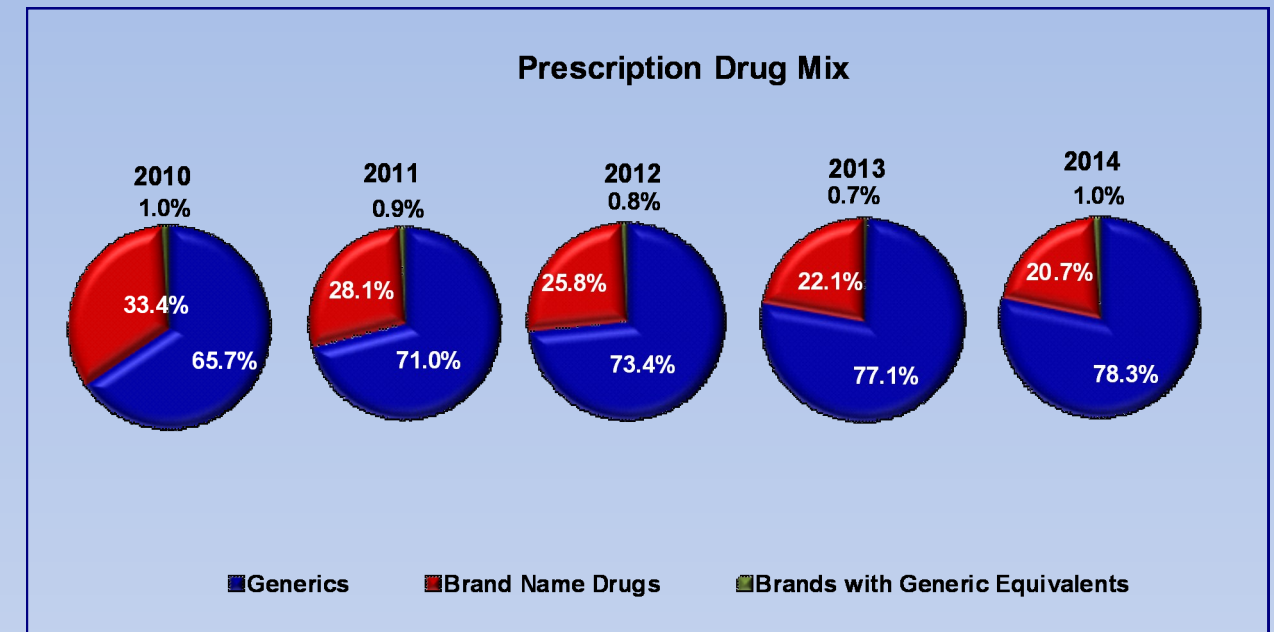
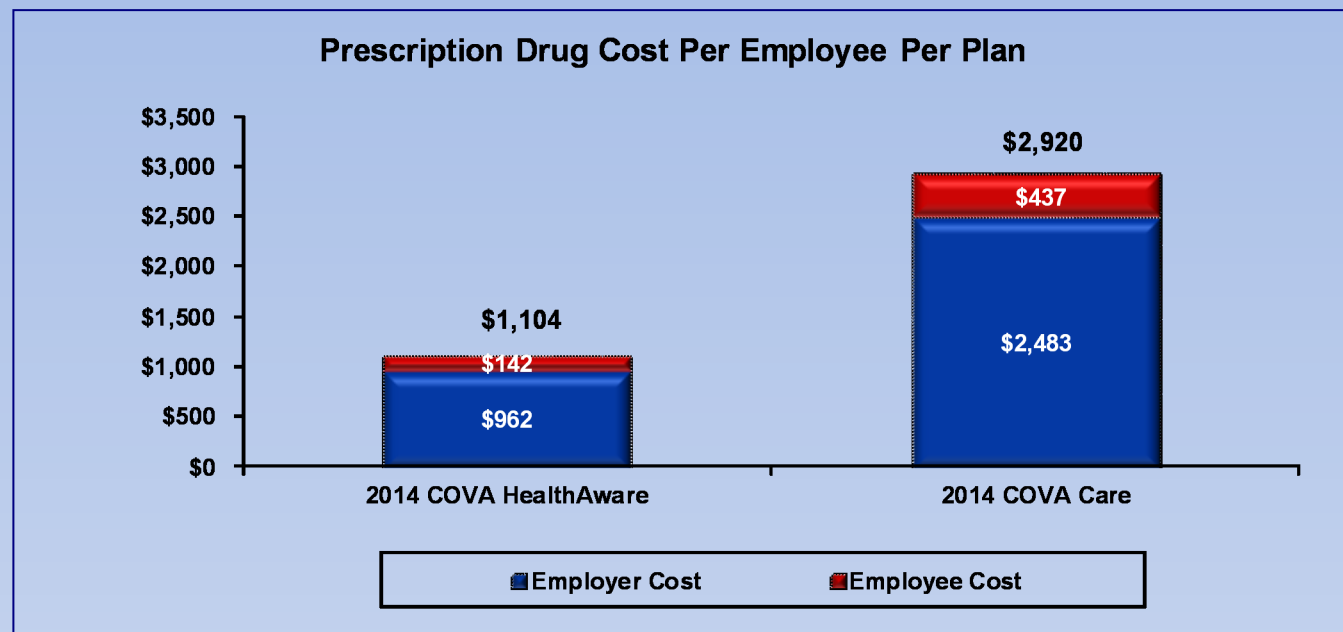
**Average Medical Expense Per Plan Per Employee
COVA Care and COVAHealthAware**





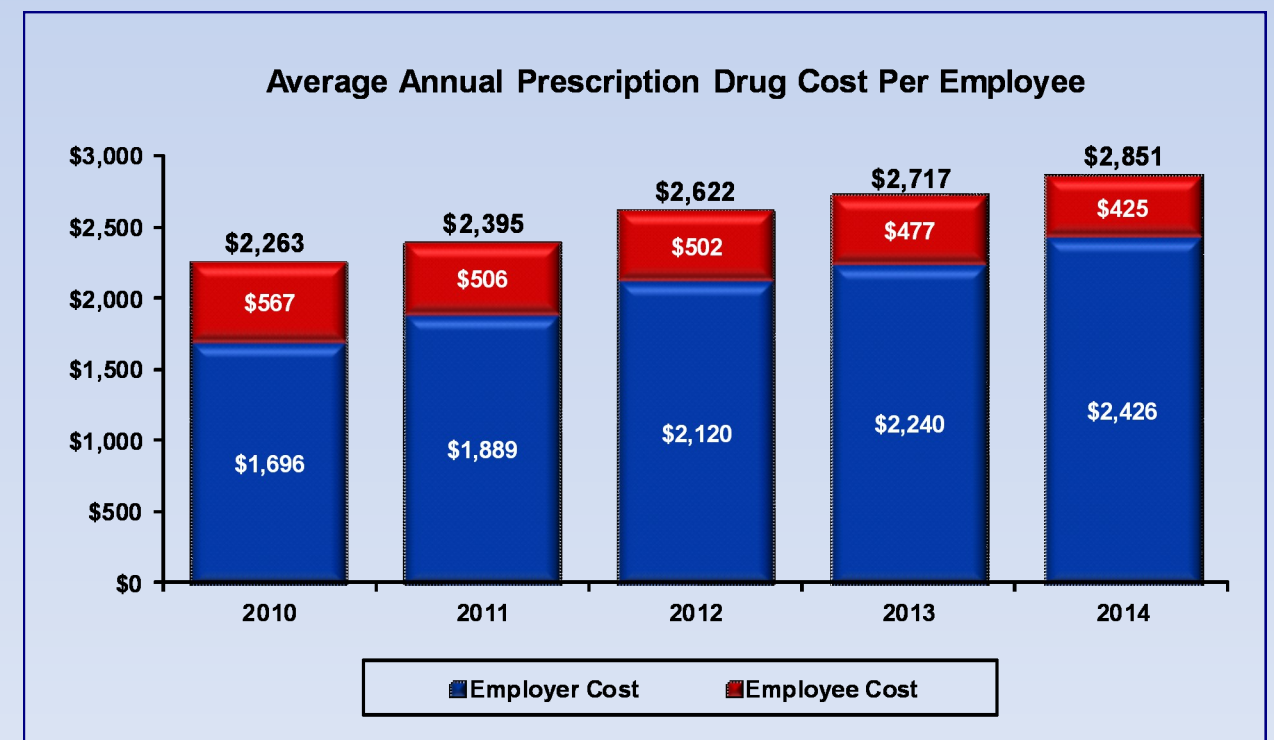
Year in Review

Prescription Drug Expense



Total prescription drug costs for the state program were up 8.2 percent in 2014, to \$219.6 million from \$202.9 million in 2013. The number of members using very high-cost specialty drugs continued to increase. These drugs may be paid as medical or pharmacy claims depending on the type of drug and method or setting of delivery. Fewer members used the less expensive mail service for routine medications, and inflation remained a major driver of trend. Significant factors in inflation were manufacturer price increases as brand drugs approached patent expiration, higher costs for generic drugs, cost increases for newer specialty medications, and brand drug coupons offered to encourage use of brand-name products. Factors helping the plan control costs included a higher generic drug dispensing rate and continued measures to help stem drug costs, such as prior authorization and step therapy. COVA HealthAware employee costs for prescription drugs were significantly less than for COVA Care, driven in part by more engagement by COVA HealthAware consumer-driven plan members to reduce their drug costs. This includes high use of generic drugs, filling subscriptions at lower cost retail pharmacies or mail order, and reducing unnecessary prescriptions.

The generic drug portion of the prescription drug mix increased 1.2 percent from 2013, to 78.3 percent. Drug patents continued to expire on many highly utilized brand name drugs, which helped to drive up the generic drug utilization rate. More than 41,551 prescriptions were filled for higher-cost specialty drugs, representing less than 1 percent of total prescriptions. Yet specialty prescriptions accounted for 29.3 percent of the state plan's drug cost for 2014, up 26.8 percent from 2013. Almost 4 times as many specialty prescriptions were filled in 2014 than in 2013, with 11,400 specialty prescriptions. High cost specialty prescription drug costs were up 35.2 percent in 2014, to \$63.4 million from \$46.9 million the prior year. Health plan members' share of total annual prescription drug costs fell 2.7 percent, to 14.9 percent from 17.6 percent the previous year.

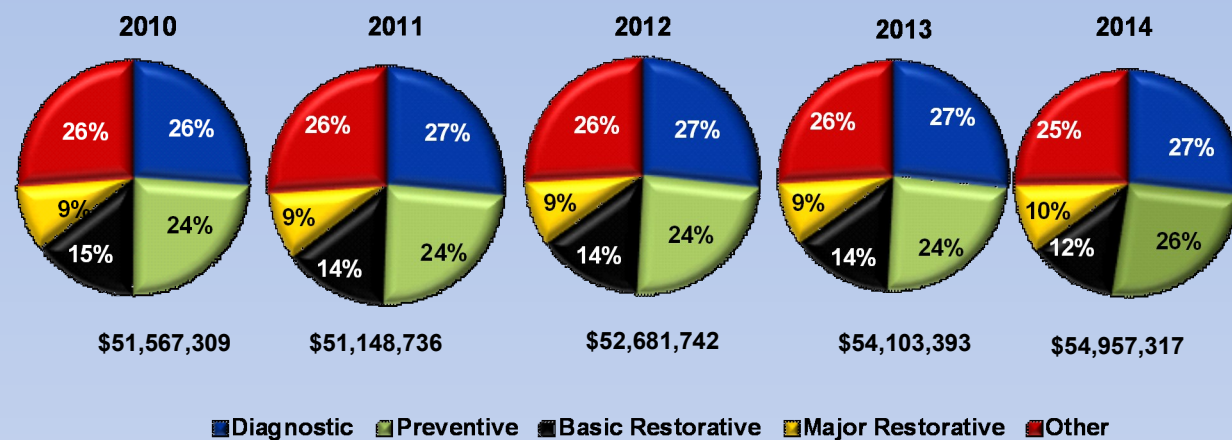




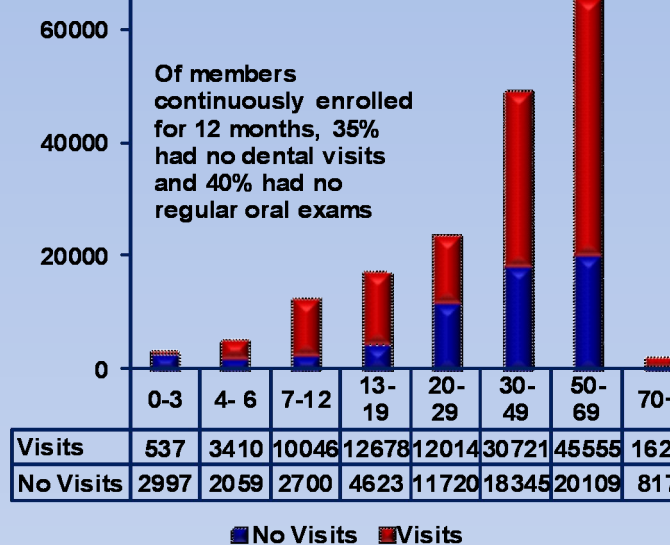
Year in Review

Dental Care Expense

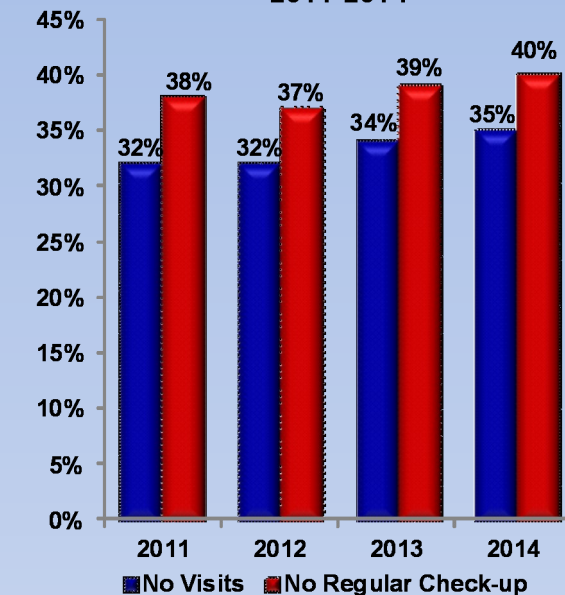
Dental Expense by Category



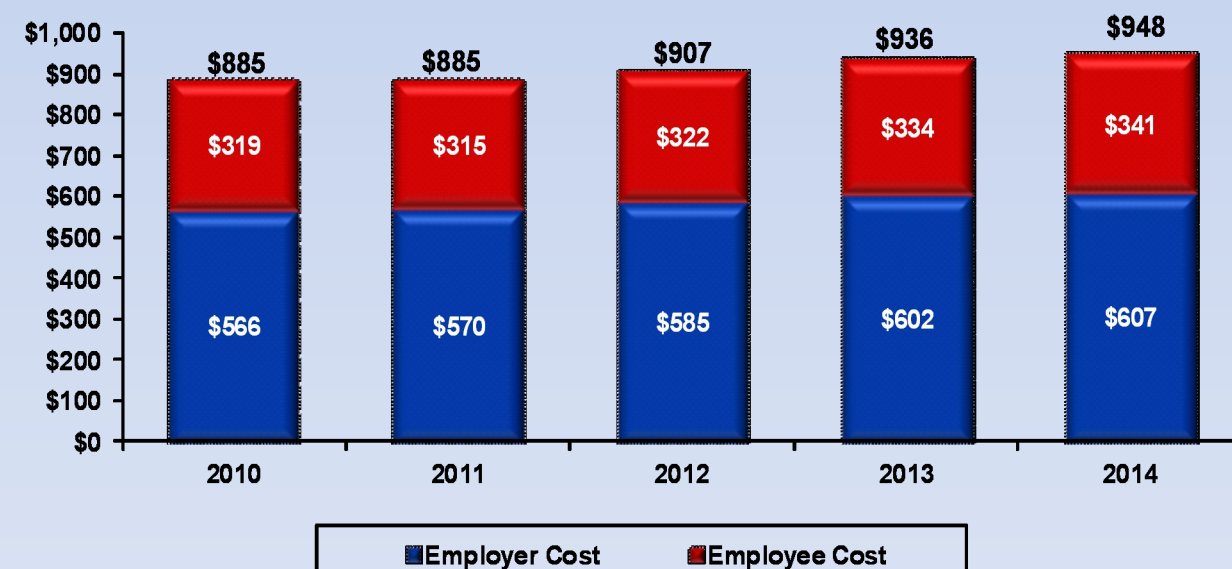
Dental Visits By Age
FY 2014



Members with No Dental Care
2011-2014



Annual Dental Cost Per Employee



Dental claim costs were up 1.5 percent for the state program in 2014, to \$54.9 million from \$54.1 million the previous year. Dental benefits represent only 5 percent of total claims expense. About 372,000 dental claims were processed in 2014, slightly less than the 373,000 the prior year. Preventive services, which are paid 100 percent by the plan, accounted for 26 percent of claims expense compared to 24 percent in 2013. The cost increase was due in part to higher overall preventive care utilization. A routine dental visit was also one of the "do rights" available to COVA HealthAware members to earn additional funds in their Health Reimbursement Arrangement (HRA), which increased utilization.

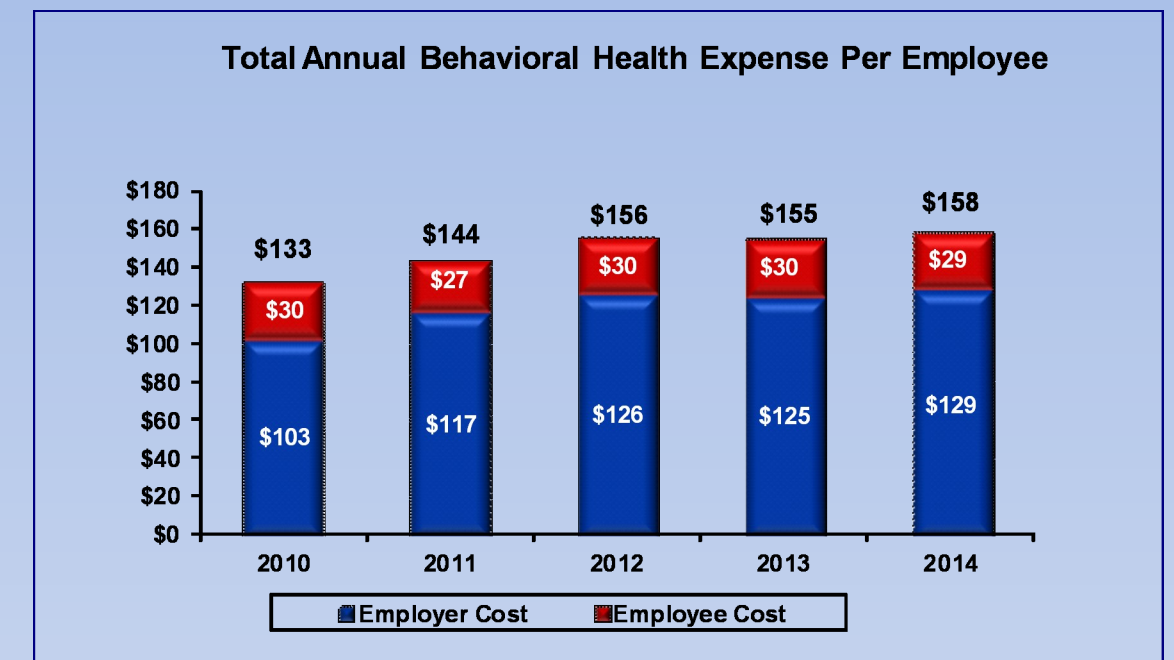
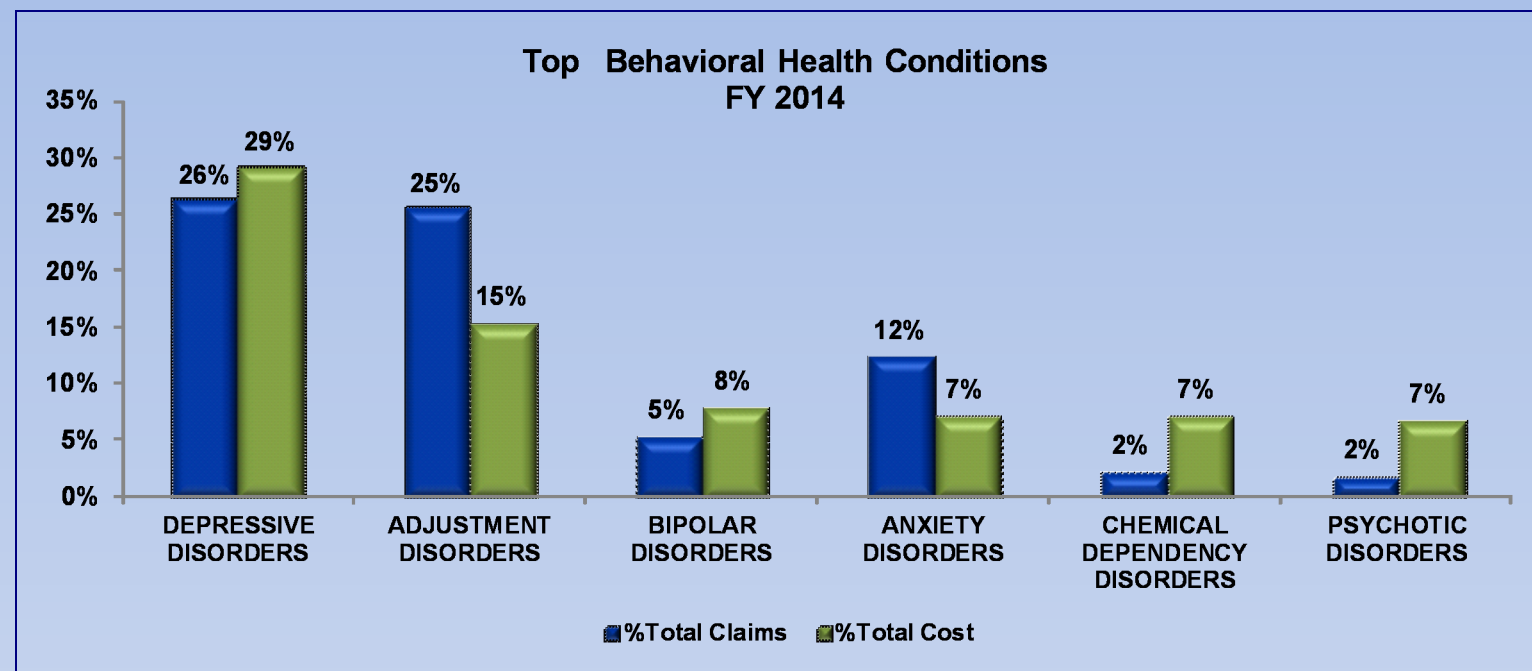
A utilization report by Delta Dental of Virginia, the dental benefits administrator for COVA Care and COVA HDHP, indicates that about 35 percent of plan members are not visiting the dentist at all, an increase of 1 percent over the year before. The number who do not have regular dental check-ups also grew by 1 percent in 2014 to 40 percent of members. The results of a communications campaign in 2014 targeting the no dental visit population are pending.

Regular dental check-ups prevent major dental problems and reduce overall dental expense. It costs \$368 less for each member who has at least one preventive oral exam each year.



Year in Review

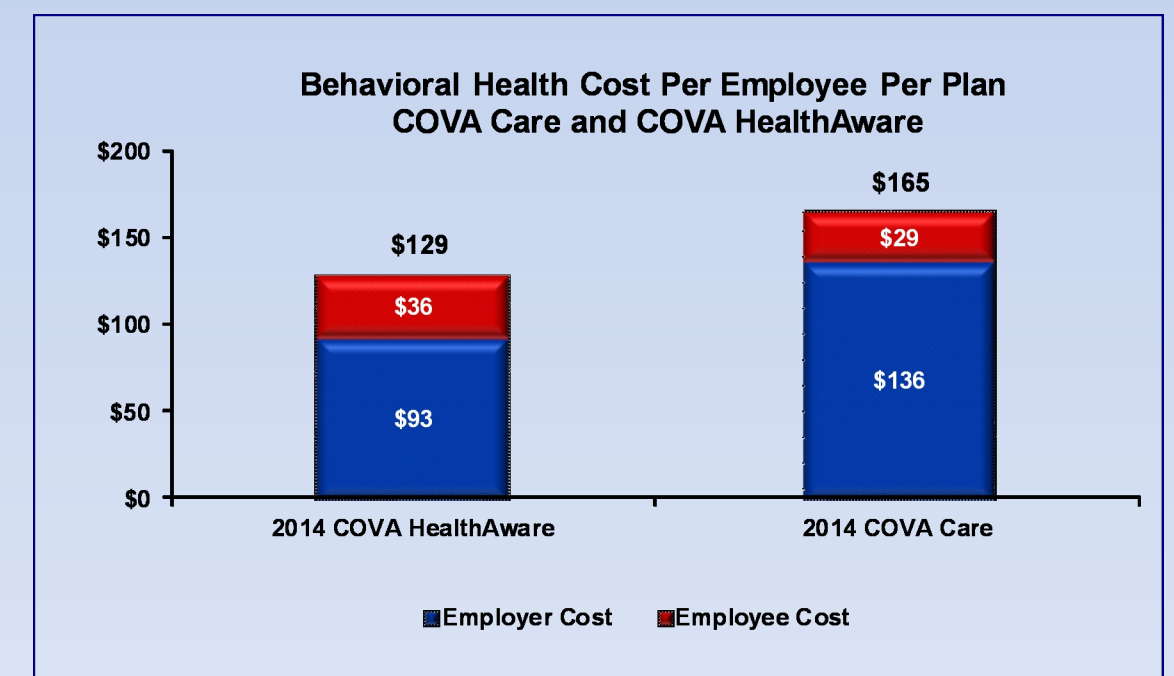
Behavioral Health and EAP



About 6 percent of those enrolled in the health plan have used the behavioral health benefit in 2014 compared to about 7 percent in the past three years. Six behavioral health conditions accounted for 90 percent of claims expense in 2014: depressive, adjustment, bipolar, anxiety, chemical dependency and psychotic disorders. Total claims cost increased 2.6 percent to \$11.6 million in 2014 from \$11.3 million in 2013. Total cost per member per month (PMPM) was \$4.98 in 2014. Outpatient services cost \$3.05 PMPM in 2014, compared to \$4.81 in 2013 with different administrators for the behavioral health benefit. The top 10% highest-cost members using behavioral health accounted for 23 percent of behavioral health costs. Fifty-four percent of claims expense was for outpatient services, 39 percent for inpatient treatment, and 7 percent for alternative levels of care. Employee cost for services has declined since 2010, when the copayment for non-medical specialists, such as psychologists, was reduced to \$25 from \$35.

The Applied Behavior Analysis (ABA) benefit for autism spectrum disorder for children ages 2 through 6 cost about \$175,200 in claims for 2014 compared to \$107,000 the prior year. The average cost per participant was about \$6,000. Twenty-nine plan members used the benefit in 2014.

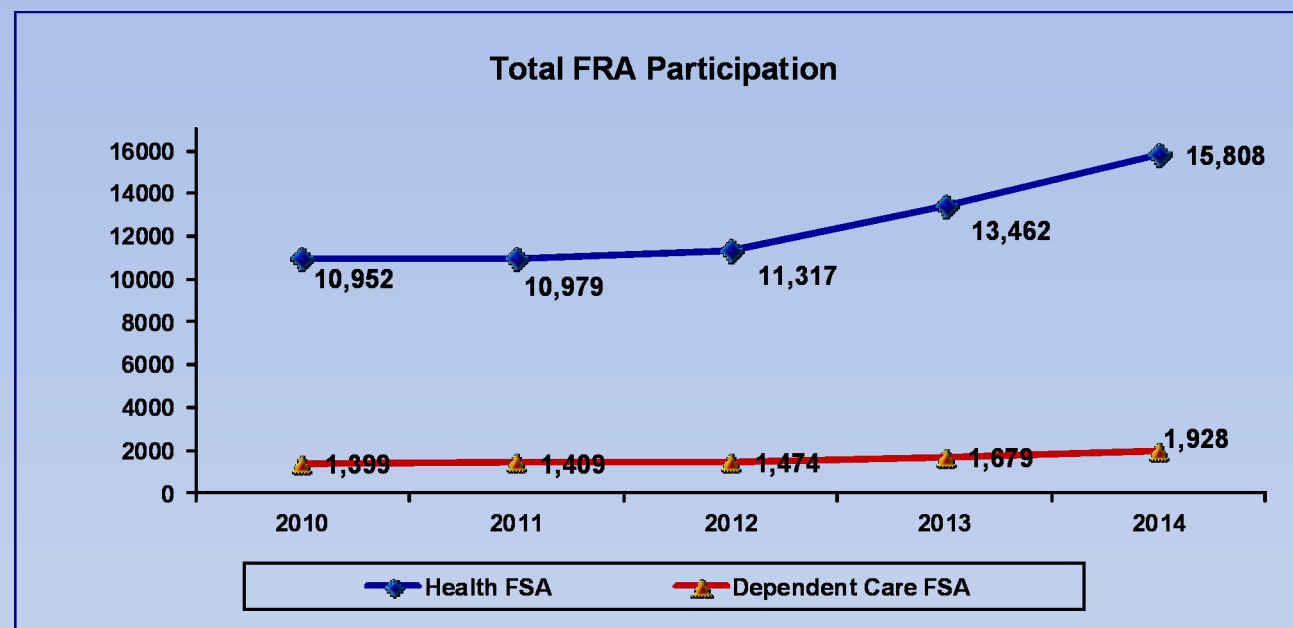
The Employee Assistance Program (EAP) handled 6,844 calls and referred 4,059 cases to a counselor in 2014, down slightly from the 4,091 cases in 2013. The annualized 7.9 percent utilization rate in 2014 remained above the 6.4 percent national utilization rate. Of members who used the EAP, 77 percent sought services for the top three assessed problems: emotional and psychological concerns, family relationships and legal issues. Use of legal and financial services more than doubled to 964 from 441 the year before. The EAP handled 99 onsite trainings and 29 critical incidents. The top five secretariats in use of EAP services, management consultations and supervisor referrals were Commerce and Trade, Health and Human Services, Veterans Affairs and Homeland Security, Transportation and Administration.





Year in Review

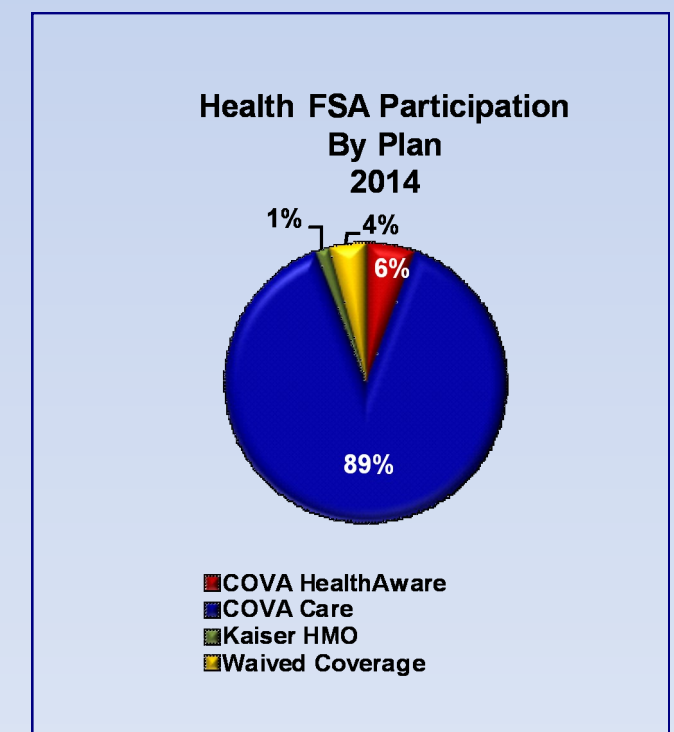
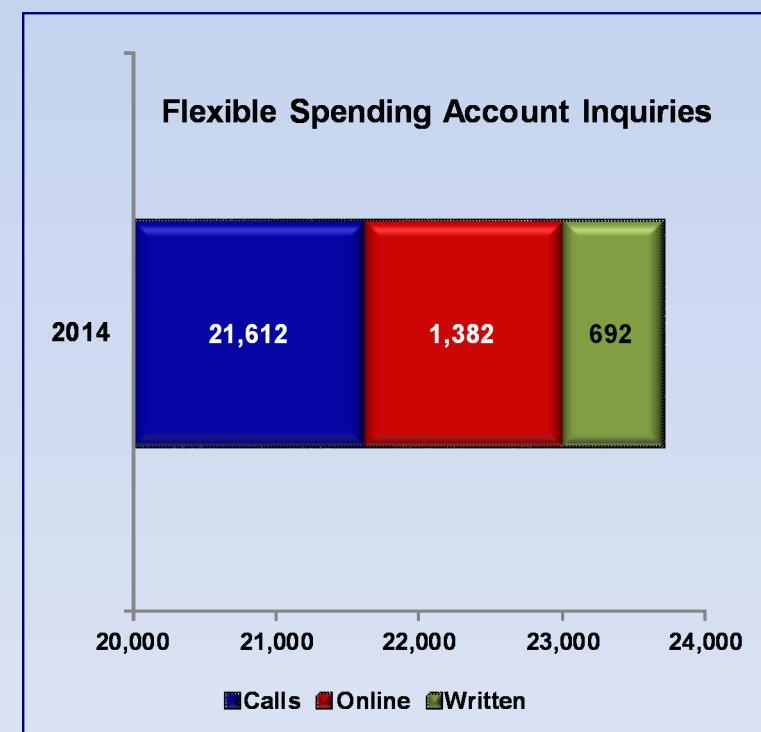
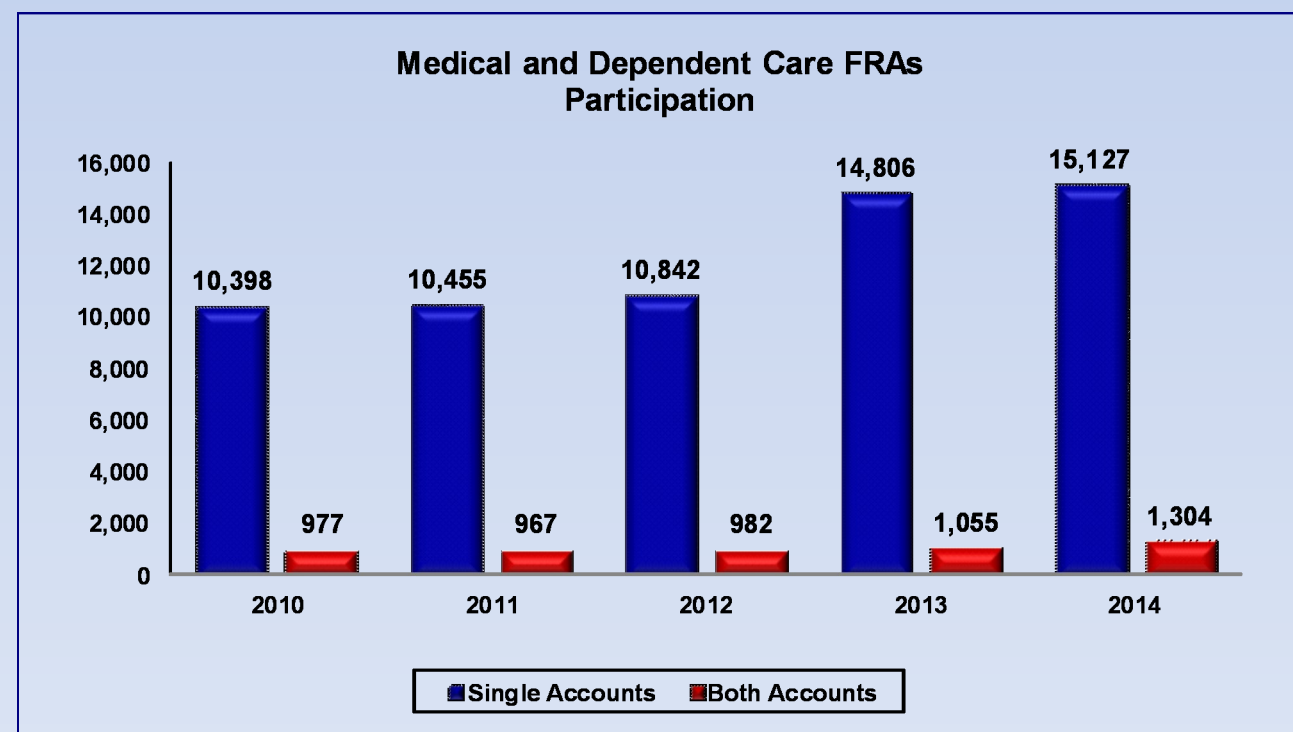
Flexible Spending Accounts



Flexible spending accounts (FSAs) allow employees to set aside part of their income before taxes to pay for certain health or day care expenses not covered by the plan. Health FSAs may be used for non-covered eligible health care expenses, while Dependent Care FSAs may be used to pay eligible costs for day care. While FSA participation has been relatively stable in past years, employee interest in these accounts has grown significantly since 2013. The number of FSAs increased 17 percent in 2014, and Dependent Care FSAs were up nearly 15 percent for the year.

In 2014, COVA Care members represented 89 percent of Health FSA participants, followed by COVA HealthAware at 6 percent, which generally is reflective of the total population in each plan. Employees who waive health coverage remain eligible for an FSA, and approximately 4 percent of employees in that category had a Health FSA account. During 2014, the contribution limit for the Health FSA was capped at \$2,500 to comply with provisions of the Affordable Care Act (ACA).

The growth in FSAs was due in part to increased awareness of the program because of communications on the cap in contributions, which changed from a \$5,000 limit in previous years. A stored value card, similar to a debit card, remained popular for Health FSAs to pay for eligible health care expenses at the point of service. About two times the number of claims were filed online as were submitted by paper.





Year in Review

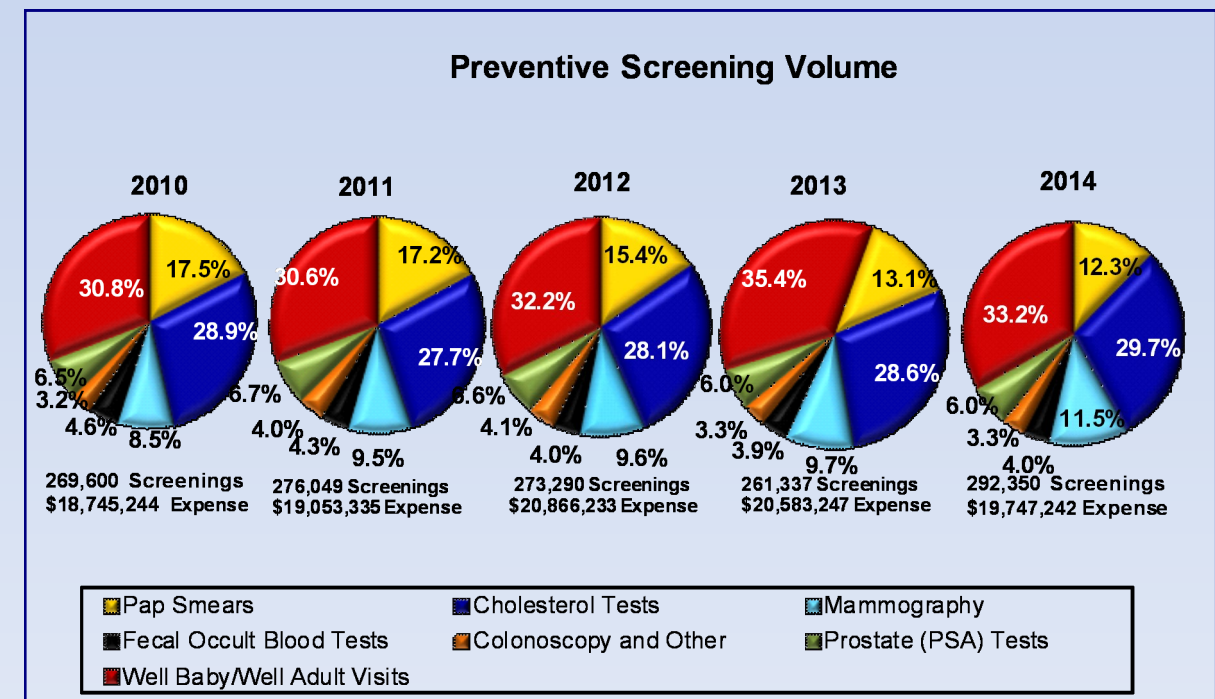
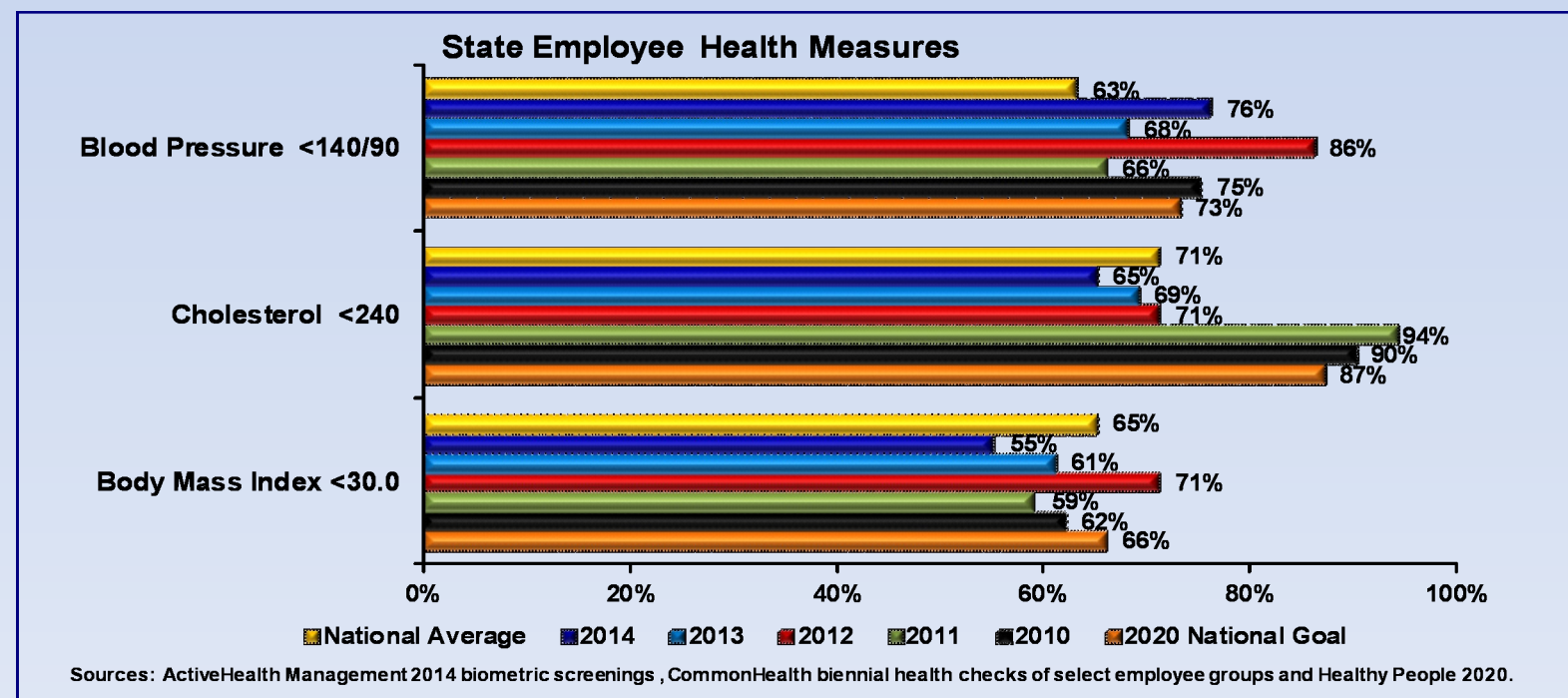
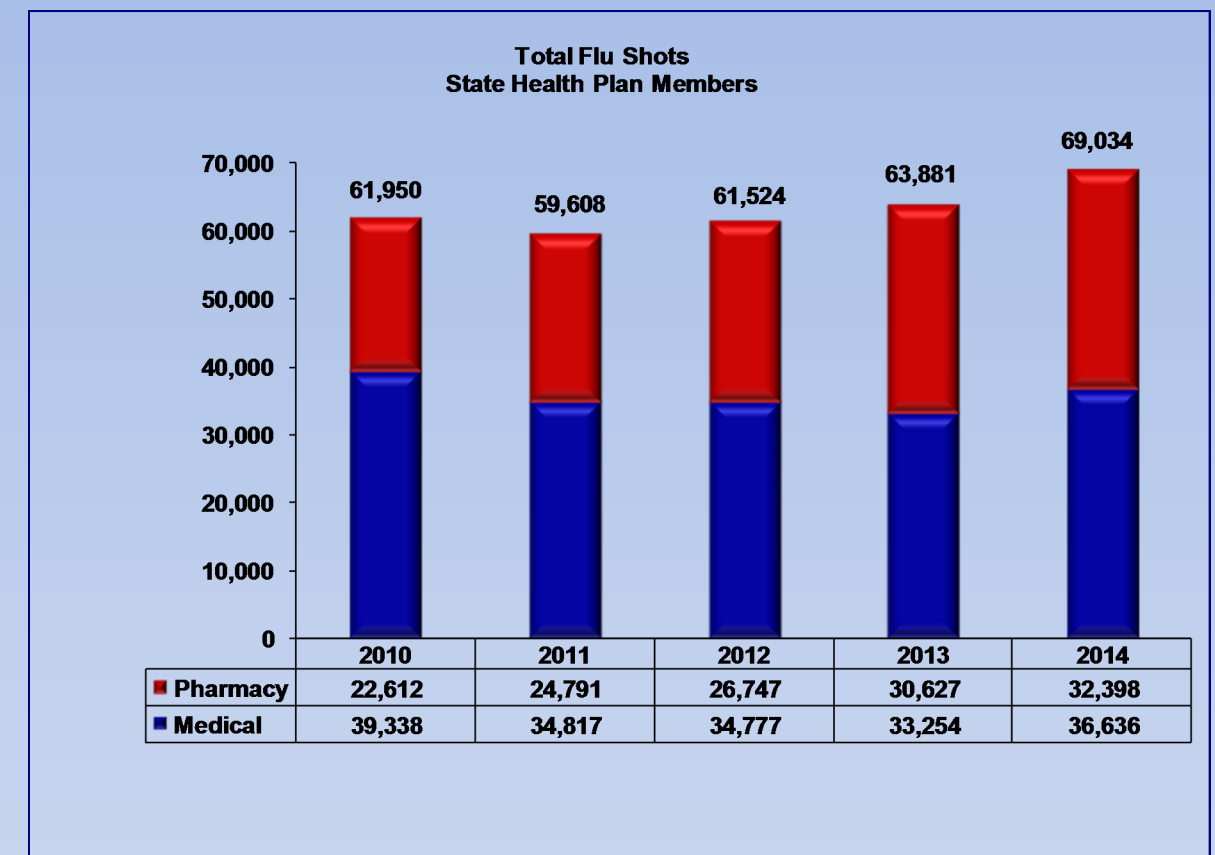
Wellness and Preventive Care

In 2014, health and wellness programs offered in state health plans at no extra member cost were transitioned to ActiveHealth. The *Healthy Lifestyles* program helps members who are generally healthy but need a little extra support staying on the right track. It includes coaching on nutrition, exercise, stress management and quitting tobacco. During the plan year, the program reached out to 5,881 members. Seventy-one members were engaged in online coaching. The top areas of focus were weight management, nutrition and stress management.

The CommonHealth wellness program continued to encourage employees where they work to lead healthier lives. Directed by employees within the Department of Human Resource Management, the program promotes healthy employee lifestyles and encourages integration of health and physical activity into the work culture. Total participation in *CommonHealth* rose 10 percent in 2014, to 30 percent of the workforce compared to 19.7 percent the prior year. CommonHealth programs focused during the year on helping to prevent stroke, getting enough sleep, taking 10 minutes a day for healthy activities and nutrition for a healthier heart.

Getting a flu shot is one of the best ways to stay healthy, and the state program offers free flu shots each year. The number of flu shots in 2014 increased 8.1 percent over 2013, due in part to the option of bringing pharmacy representatives to the workplace to administer the shots. Getting a flu shot also was a “do right” healthy activity for COVA HealthAware members.

In 2014, the Commonwealth continued to provide annual wellness visits and preventive care screenings at no cost to members. The plan also paid 100 percent for additional preventive care measures. Baby and adult wellness checkups and cholesterol tests represented 63 percent of total screening volume, compared to 64 percent in 2013. About 30 percent of preventive care screenings in 2014 were pap smears, mammograms and PSA tests. The average screening compliance rate was highest in 2014 for prostate (PSA) tests at 59 percent of men age 50 and older, followed by pap smears at 43 percent of women age 18 or older, and mammography at 28 percent of women in the applicable population. Cholesterol screening compliance was 16 percent and 15 percent for colorectal cancer screenings. The state health benefits program continues to evaluate screening compliance and consider ways to increase preventive screenings.



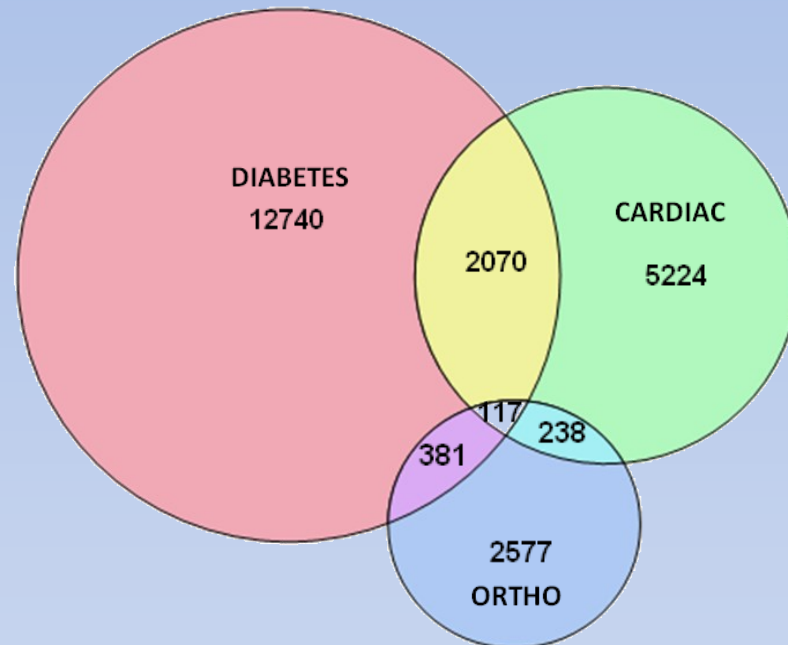


Year in Review

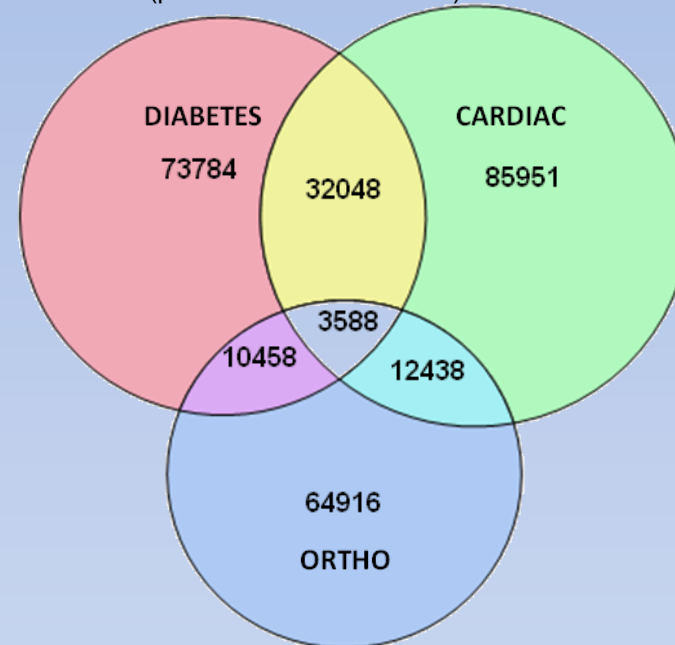
The Health Plan “Top 10”

Top Major Conditions: Multiple Chronic Conditions

CONDITION PREVALENCE IN ALL MEMBERSHIP



CONDITION COST IN ALL MEMBERSHIP
(paid dollars in thousands)



Expensive procedures, treatment of chronic conditions and the cost of prescription drug therapy continue to have a major impact on the state program. Other significant cost drivers relate to employee lifestyle, including smoking, level of physical activity and a high percentage of members who are overweight. Another factor is the average state employee age, which remains higher than the norm for other employers.

About \$749 million, or 80 percent, of state plan expenses during 2014 came from claims for the top 10 medical procedures, chronic conditions, including those managed through preventive medicine and prescription drugs. Chronic conditions require care over a long period, often lifelong, without a definitive cure. Those managed through preventive medicine can be avoided, or the effects controlled and limited, through proper, regular preventive care.

Total expense for the top 10 medical procedures, chronic conditions and prescription drugs increased 7.3 percent from the previous year, in part because of increased cost for medical procedures. High in the top 10 for 2014 were conditions that correlate with heart attack and stroke, like cerebrovascular and coronary artery disease, circulatory disorders and hypertension. Many of these conditions are also identified with being overweight: diabetes, coronary artery disease, hypertension, musculoskeletal and digestive disorders.

“Top Ten” Claims Expense

Medical Procedures	Chronic Conditions	Chronic Conditions Managed through Preventive Medicine	Prescription Drugs
<ol style="list-style-type: none">1. V-Codes—health services not classified as disease or injury2. Musculoskeletal3. Neoplasms—tumors4. Circulatory5. Ill-defined symptoms—undetermined causes6. Digestive7. Genitourinary8. Nervous system/sense organs9. Accidental injury10. Respiratory	<ol style="list-style-type: none">1. Diabetes2. Hypertension3. Depression4. Multiple sclerosis5. Asthma6. Rheumatoid arthritis7. Cirrhosis of the liver8. Stress-related problems9. Respiratory disease10. Epilepsy	<ol style="list-style-type: none">1. Coronary artery disease2. Breast cancer3. Cerebrovascular disease4. Diabetes5. Hypertension6. Obesity7. Skin cancer8. Lung cancer9. Substance abuse10. Oral cancer	<ol style="list-style-type: none">1. Nexium - stomach acid2. Humira - rheumatoid arthritis3. Crestor - high cholesterol4. Enbrel - rheumatoid arthritis5. Abilify - depression6. Lantus solostar - diabetes7. Advair Diskus - asthma/COPD8. Cymbalta - depression9. AndroGel - low testosterone10. Diovan - high blood pressure
80.3% of Medical Services 82.0% of Medical Expense	8.9% of Medical Services 4.6% of Medical Expense	9.1% of Medical Services 11.9% of Medical Expense	4.3% of Prescriptions 21.2% of Pharmacy Expense

Note: These areas may not be mutually exclusive. Prescription drug list excludes compounded pharmaceuticals.

Three of the top four medical conditions occurring among state employees are related to lifestyle. Smoking and overeating contribute to diabetes, heart disease, arthritis and other musculoskeletal issues. Treatment for diabetes, cardiac and orthopedic conditions cost the state program almost \$191 million in 2014 compared to \$171 million in 2013. About 12.4 percent of members were treated in the categories of endocrinology, cardiology and orthopedics, which cost \$250 million in 2014 compared to \$222 million in 2013. These members represented 35 percent of total plan claims both years, three and a half times the norm.

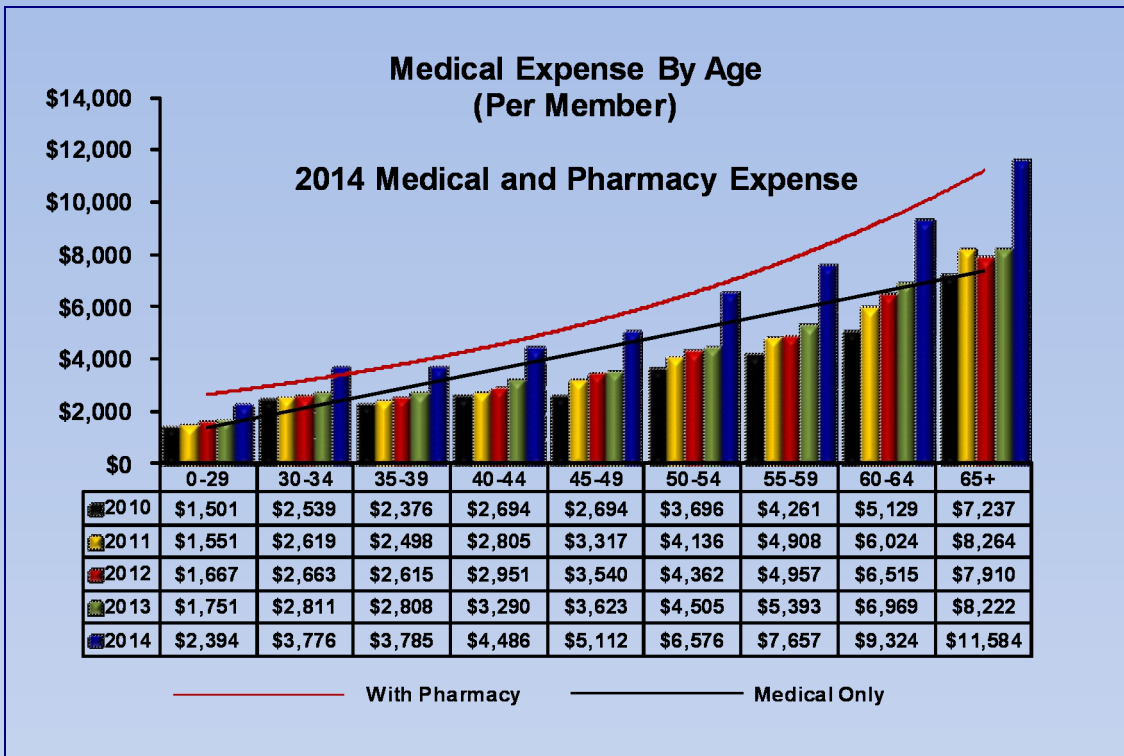
While the members with diabetes, cardiac and orthopedic conditions accounted for four-tenths of 1 percent of total claims in 2014, that was 6.5 times the norm.

Of the members treated for diabetes, cardiac and orthopedic conditions, 55 percent received diabetic services in 2014, up one percent from 2013. The state program continues its diabetes management initiative with participation incentives to help diabetics better manage their health. In 2014, the program compliance rate was 48 percent.



Year in Review

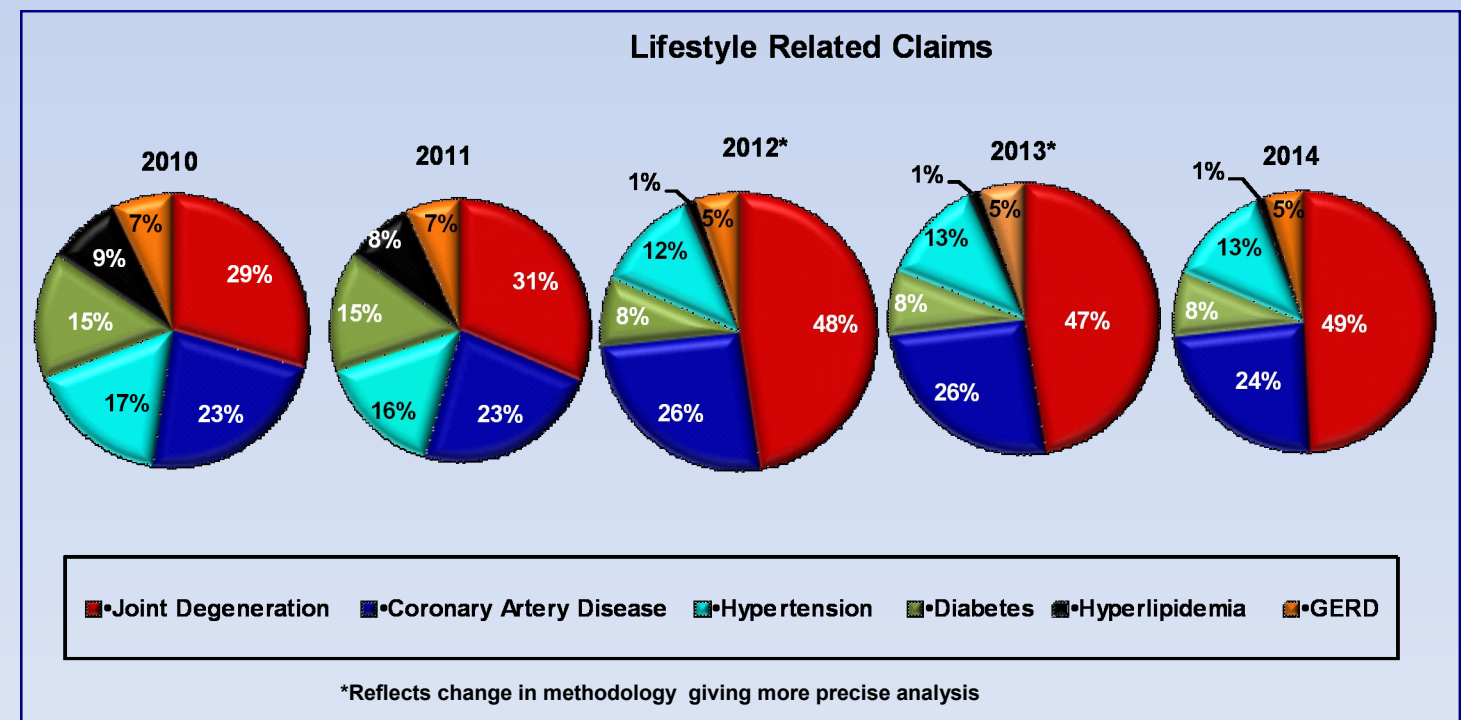
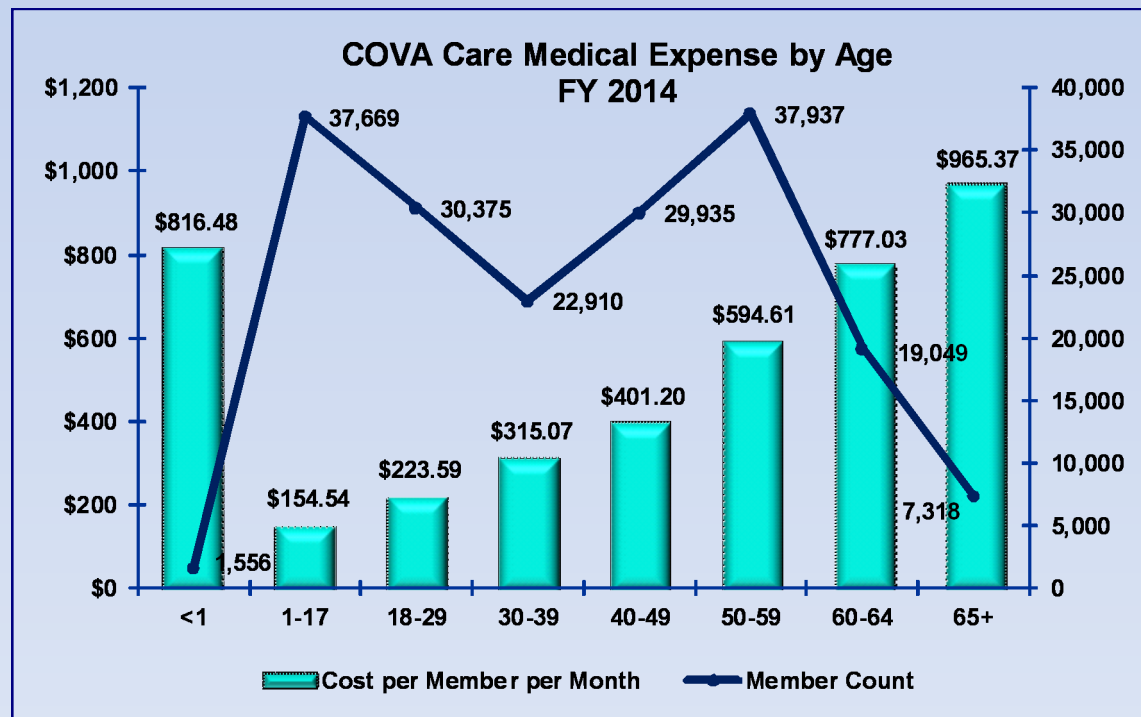
Cost Drivers: Age and Lifestyle



An age gap continued in 2014 between the state workforce enrolled in the health benefits program, with an average age of 48.1, and employees at other employers, whose average age was 46.3. The average employee age increased slightly from the prior year. According to the American Medical Association, many diseases correlate with an aging population. As people age, they are more likely to develop chronic conditions such as high cholesterol, high blood pressure, heart disease and diabetes.

More than 50 percent of total plan members were over the age of 40. Those over the age of 50 represented 34 percent of COVA Care health plan members in 2014, and were responsible for 55 percent of COVA Care total plan medical expenses. Employees in COVA Health Aware had an average age of 46.7 or almost one year younger than those in COVA Care.

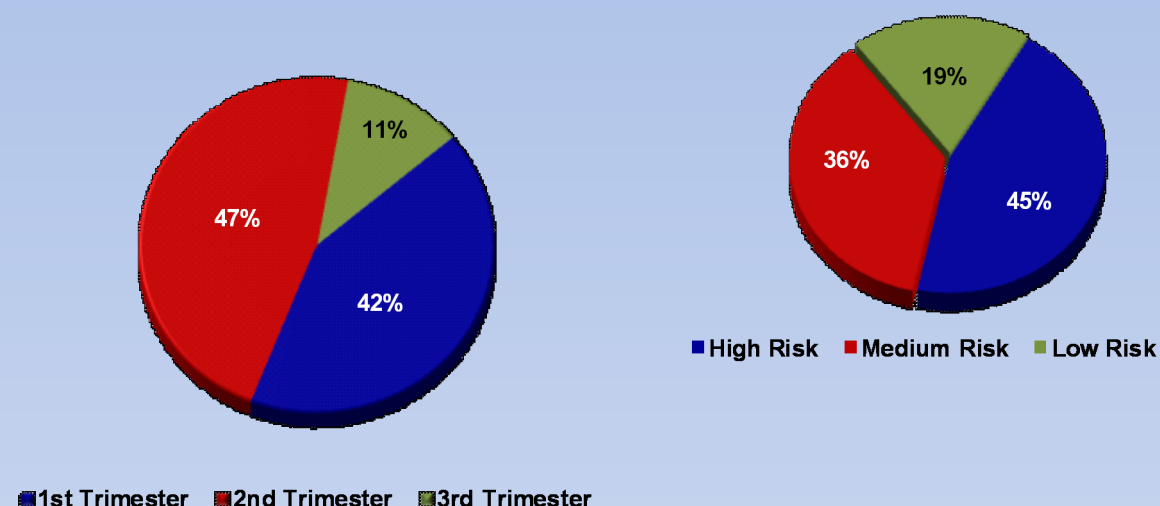
According to the National Institutes of Health, more than two-thirds of American adults and one in three children are overweight or obese. In the state population, that rate is 60 percent. Six conditions that correlate with being overweight represented almost \$180 million or 19 percent of the state plan's total medical and pharmacy expense in 2014. Of the six conditions, coronary artery disease and joint degeneration accounted for 73 percent of claims expense, up from 71 percent in the prior year.



Year in Review

Incentives and Outcomes

Healthy Beginnings Enrollment
FY 2014



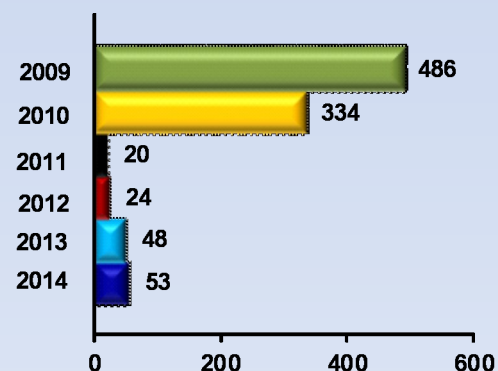
During the past decade, the health benefits program has steadily introduced incentives to employees and their families to encourage them to take a more proactive role in their own health. COVA Care and COVA HealthAware members who enroll in the *Healthy Beginnings* maternity management program during the first trimester are eligible to have the inpatient or out-patient facility copayment waived or a contribution made to their health reimbursement arrangement (HRA). About 89 percent of expectant mothers qualified for the incentive, joining the program in the first 16 weeks of pregnancy.

With a goal of healthier mothers and healthier babies, the program provides one-on-one coaching through a telephonic nurse coach to help identify pregnancies as soon as possible, and support expectant mothers with appropriate care based on their risk of a difficult pregnancy. Since older mothers are more at risk for pregnancy complications, the state's larger than average number of mothers over age 35 may explain a higher than average number of premature births. The program identified 1,734 new health plan members in 2014, with 913 actively participating, or a 53 percent engagement rate. Of more than 200 live births, only 1.3 percent had complications.

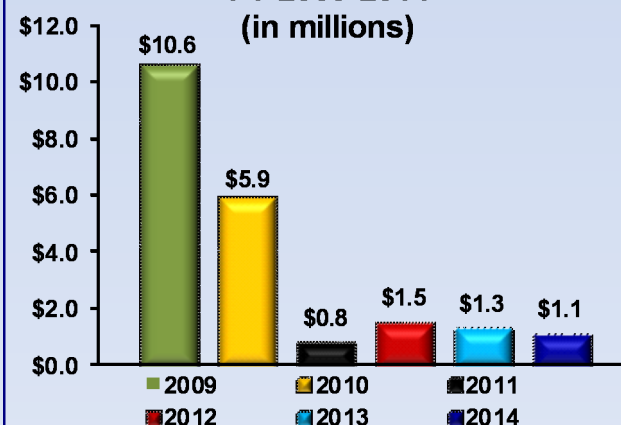
Since 2010, the health benefits program also has managed a bariatric surgery education program that addresses the challenges some patients face of losing weight and then gaining it back, and for the health plan in increased cost for surgery that may achieve only short-term weight reduction. It includes prior medical authorization for the surgery and participation in a disease management program. In addition, weight management, nutritional counseling, and personalized coaching and support services are provided through the behavioral health benefit. If surgery is approved, the program offers continued support after surgery to ensure the best possible health outcomes. As a bonus, participants who have the surgery pay no inpatient or outpatient hospital copayment or receive a contribution to their Health Reimbursement Arrangement (HRA). A total of 461 members have participated on a rolling basis since inception, with outcomes including weight loss, improved nutrition, more positive coping skills and increased activity/exercise. Bariatric surgery cases have declined by 89.1 percent, from 486 in 2009 to 53 in 2014, and overall bariatric surgery claims and other claims cost have dropped from \$10.6 million to \$1.1 million.

In FY 2014, the program implemented a diabetes management value-based insurance design (VBID) incentive. Almost 2,700 of those eligible qualified, with a compliance rate of 48 percent. Also during the year, employees, early retirees and spouses could earn premium rewards by completing a health assessment and biometric screening. Almost 44,000 members experienced monthly premium reductions.

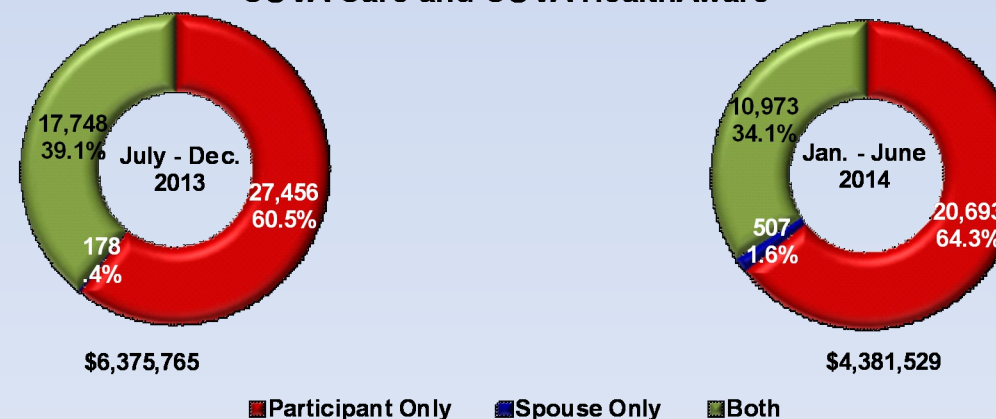
Total Bariatric Surgeries
FY 2009 - 2014



Total Bariatric Surgery and
Obesity Medical Expense
FY 2009-2014
(in millions)



2014 Premium Rewards
COVA Care and COVA HealthAware





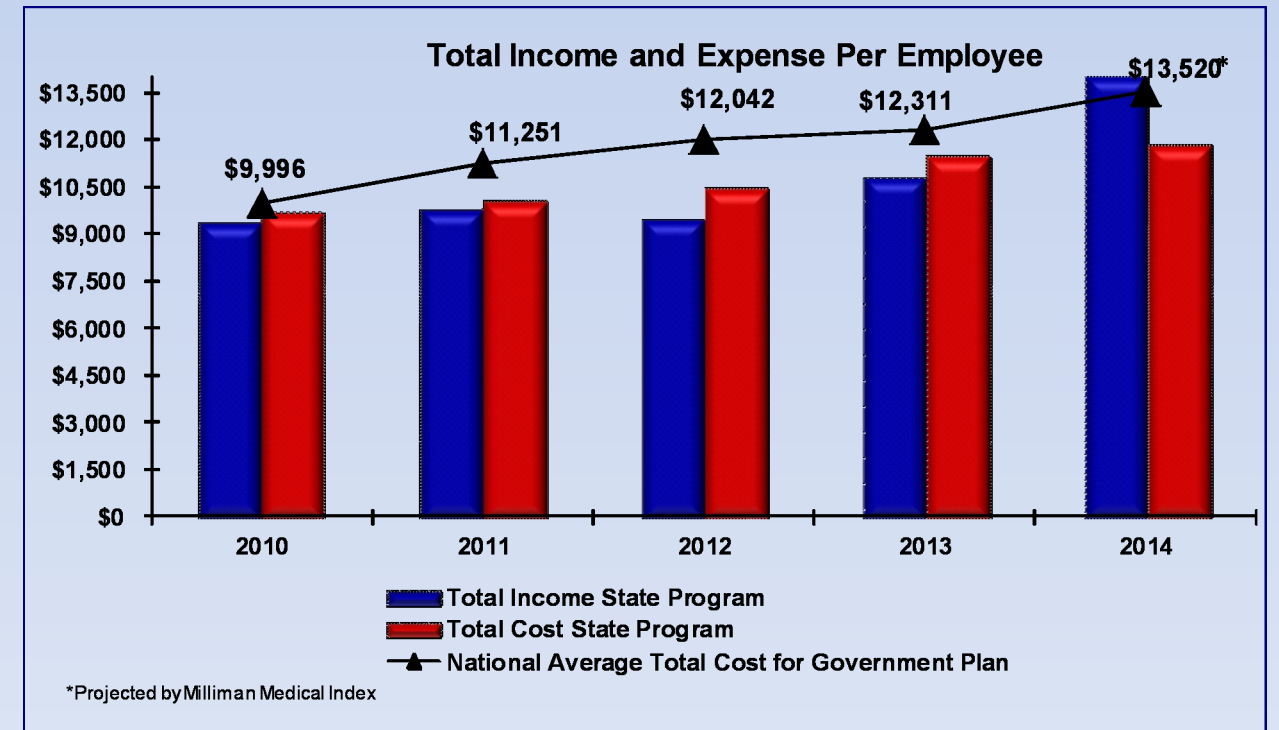
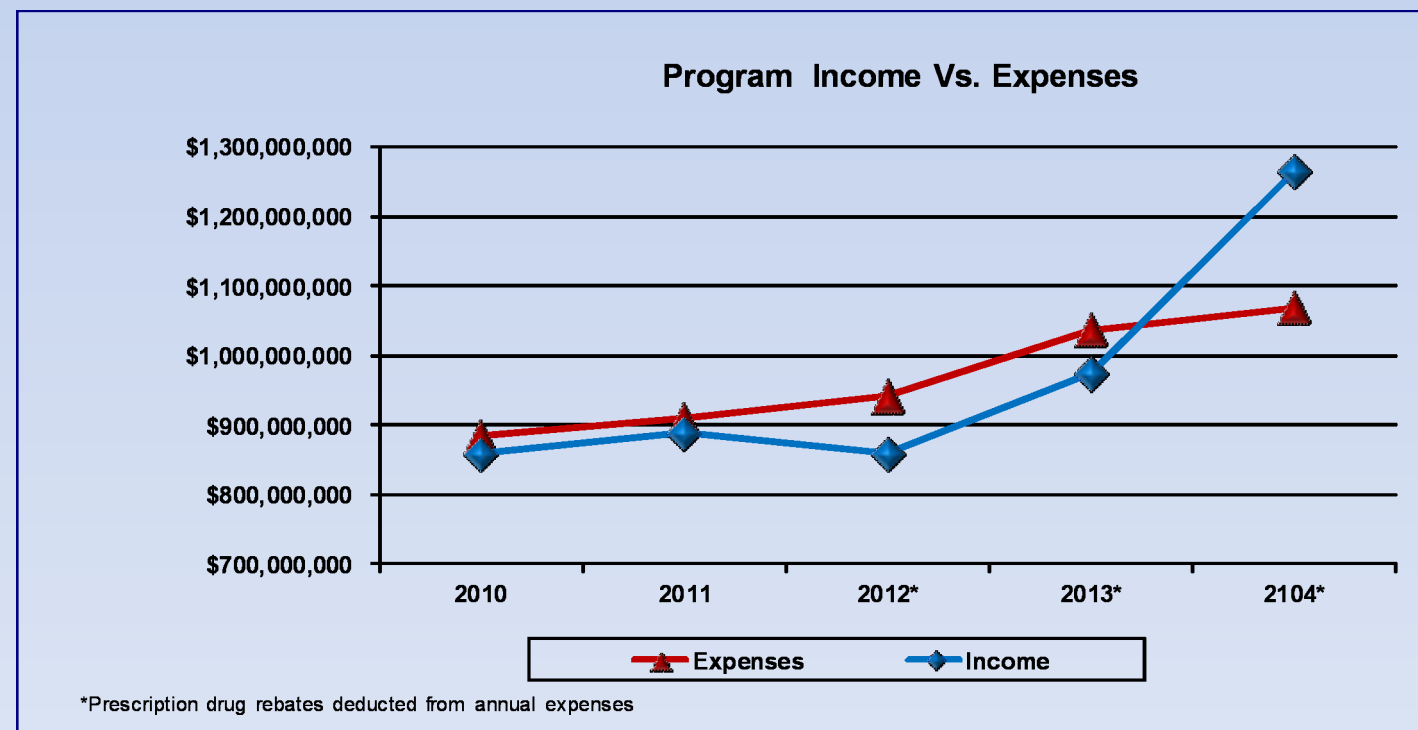
Year in Review

Program Operating Statement

PROGRAM TOTAL	FISCAL YEAR 2010	FISCAL YEAR 2011	FISCAL YEAR 2012	FISCAL YEAR 2013	FISCAL YEAR 2014
Annual Income (Premiums, Interest, Other)	\$860,279,484	\$888,755,794	\$858,355,689	\$974,121,189	\$1,263,708,326
Annual Expenses (Claims, Contract Administration, Other)	\$885,109,068	\$910,706,267	\$942,600,413*	\$1,036,411,426*	\$1,069,307,832*
Income Less Expenses	(\$24,829,584)	(\$21,950,473)	(\$84,244,724)	(\$62,290,237)	\$194,400,494
			*Prescription drug rebates deducted	*Prescription drug rebates deducted	*Prescription drug rebates deducted

Premiums provided 100 percent of the health program's income, and claims payments represented 94 percent of expenses in 2014, with the other six percent the cost of contract administration.

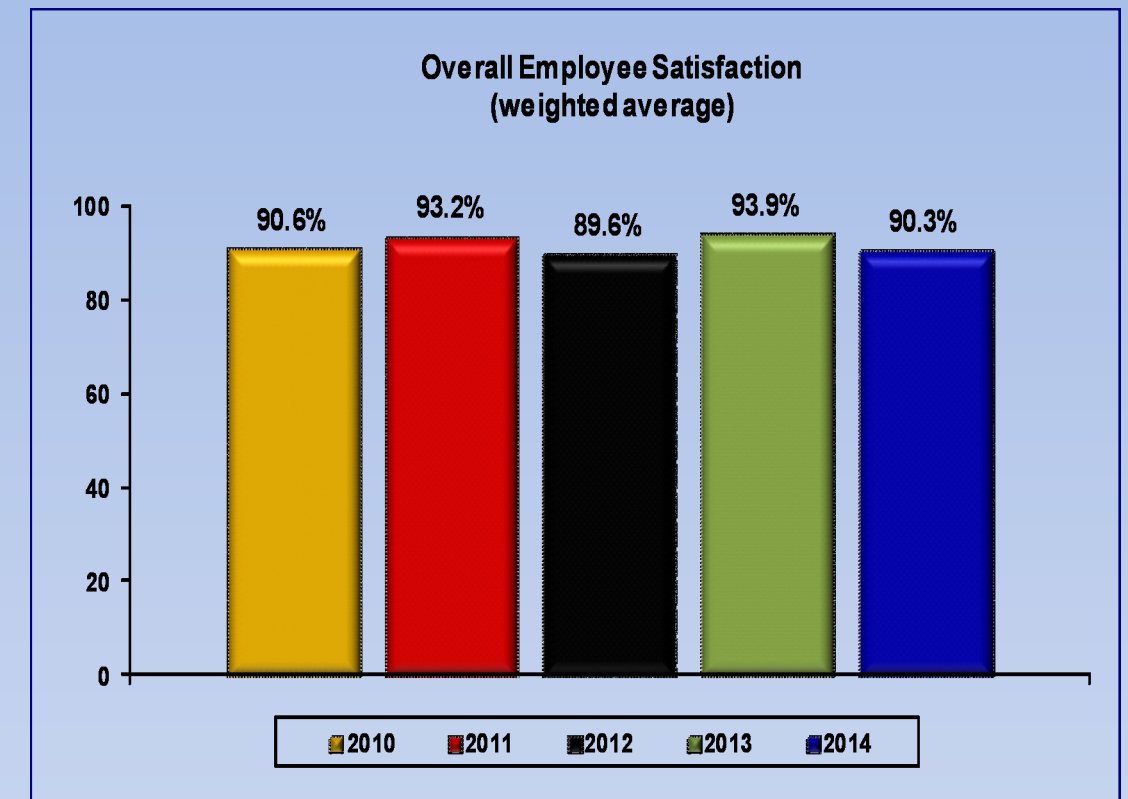
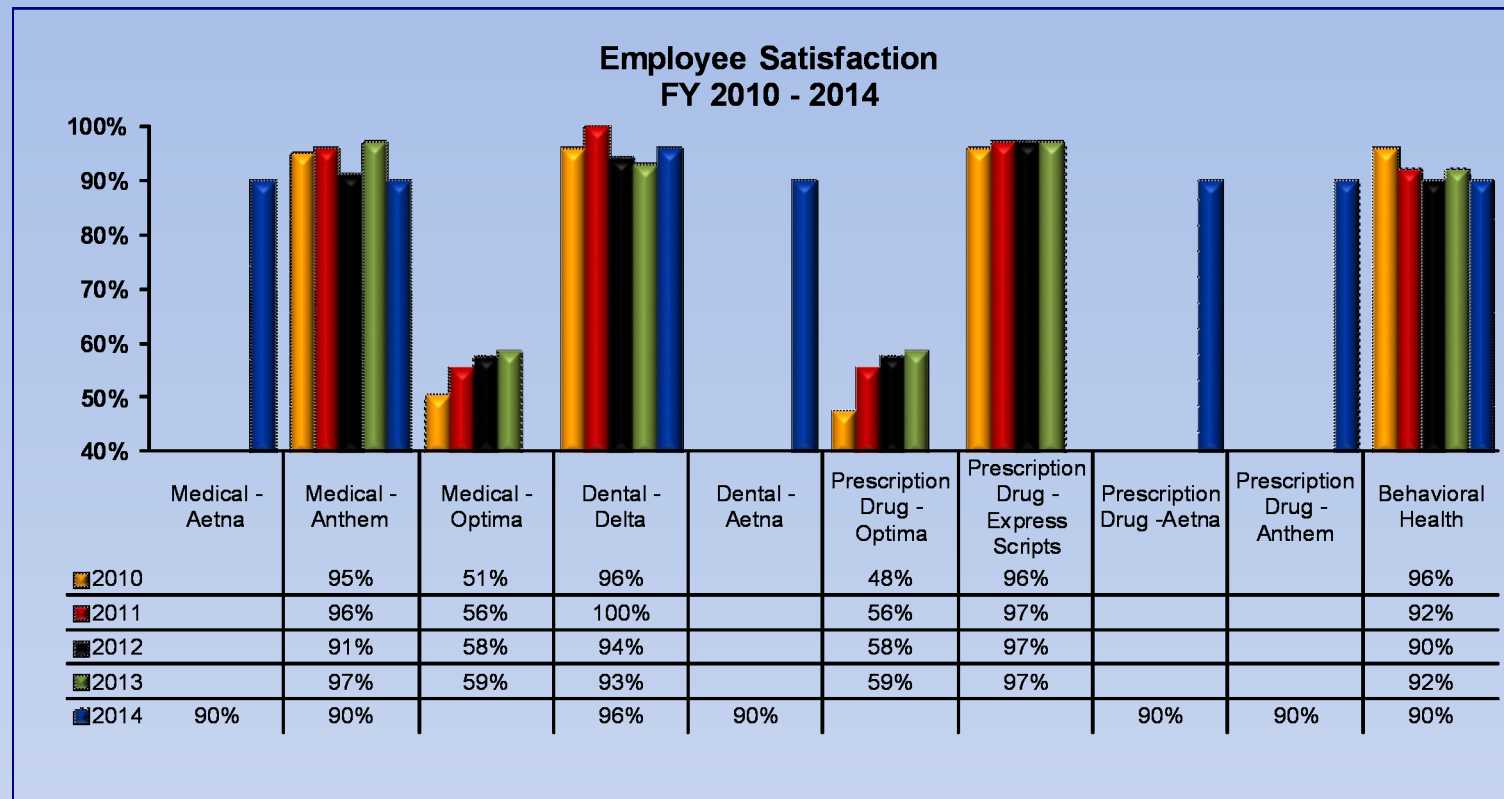
Cost containment measures combined with less than expected program expense led to program surpluses from 2005-2008. From FY 2009-2013, the program used its reserves to fund premium subsidies during difficult financial times. These funds, including required program reserves, were exhausted in 2013. In 2014, the program increased premiums to replenish reserves, and to fund Affordable Care Act (ACA) fees and required plan changes. A lower than expected increase in claims cost has favorably impacted program expenses, resulting in a surplus for the program, with the balance directed to pay for claim contingencies and to fund program reserves.





Year in Review

Employee Satisfaction



Input from employees is essential for the health benefits program to measure its progress in improving both the quality and the effectiveness of covered services. Employees' level of satisfaction is measured through periodic surveys, with state employees rating specific aspects of their health care.

The medical plan satisfaction results are from the standard Healthcare Effectiveness Data and Information Set (HEDIS®) 2014 Consumer Assessment of Healthcare Providers and Systems (CAHPS®) Adult Commercial Survey done in cooperation with the National Committee for Quality Assurance.

Other measurements are from the administrator surveys for the health plans, which in 2014 included medical, prescription drug, behavioral health and employee assistance program services.

Delta Dental conducted a customer satisfaction survey on Anthem dental benefits, while Aetna included dental in its overall plan customer satisfaction rate. Since the surveys are random, results may vary depending on which members are surveyed and the experience respondents have with their benefits.

Overall satisfaction with the health plan in 2014 decreased to 90.3 percent from 93.9 percent in 2013, primarily due to changes with the introduction of the new health care initiative and health plan. COVA Care's dental benefits had the highest rating in 2014, at 96 percent. Even though COVA HealthAware was a new plan with a very different benefits structure, it still achieved a 90 percent employee satisfaction rating.